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THIS practical handbook deals thoroughly with every aspect of branch banking—book-keeping, mechanical methods, clearing systems, correspondence and filing, staff matters, routine work and organization generally. Chapters are devoted to the duties of the Accountant and the Branch Manager. The book forms a useful work of reference for executives, and it is also strongly recommended to candidates for the examinations of the Institute of Bankers, the Institute of Chartered Accountants, and the Chartered Institute of Secretaries.

"It is easily read and could with advantage be in the possession of every bank officer, especially those who are candidates for the examinations of the Institute of Bankers."—NATPROBAN.

"The author has certainly succeeded in combining theory and practice in a manner which should render his work of the maximum use."—BANKERS' MAGAZINE.

"... a book which is worth reading by every bank man, particularly the junior man wishful of obtaining some idea of senior work."—JOURNAL OF THE INSTITUTE OF BANKERS.

**PRACTICAL
BRANCH BANKING**

PRACTICAL BRANCH BANKING

BY

A. FORRESTER FERGUS

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Awarded George Rae Prize for Banking
Gilbart Prizeman for Law of Banking
Associate of the Chartered Institute of Secretaries*

SECOND EDITION



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FOREWORD

(By R. W. JONES, *Fellow of the Institute of Bankers*)

THIS volume ought to be a valuable addition to the library of the banking student who is endeavouring to link up theory with practice.

Mr. Fergus has set out to explain in some detail the ordinary daily operations in the average branch bank and a reading of the book suggests that he has attained his object with success. An inveterate mistake made in dealing with the routine work involved in a branch bank is to assume that what is done in one bank is necessarily done by all other banks. Mr. Fergus has very wisely avoided this error and, broadly speaking, his description of the book-keeping and other processes involved in daily banking practice is applicable to clearing banks generally.

The book should prove a helpful supplement to the larger digests on banking which are recommended to students for examination purposes.

R. W. JONES

PREFACE TO SECOND EDITION

MUCH has happened since the issue of the First Edition of this work; a second world war has left its mark on our financial structure; our economic position has altered for the worse and is now inevitably directed by the urgent requirements of our current needs; many important acts have been placed on the Statute Book and others repealed. All this must of necessity affect our banking procedure and technique.

When through the kind offices of the publishers the issue of a Second Edition was made possible, the opportunity was therefore taken to make a thorough revision of the script, incorporating at the same time some of the valuable suggestions which had been received from many correspondents. In particular, the security section has been much enlarged in scope and in detailed description. Unfortunately shortage of paper and increased cost of production set a limit to the size of the book, so that one or two compensating deletions have had to be made: for instance the chapter on bills of exchange has been omitted, mainly on the score that this subject has been dealt with exhaustively elsewhere.

My thanks are due and are gratefully tendered to the many friends who have given me advice and constructive criticism. The extent of my debt to Mr. R. W. Jones, both for his published works and his public lectures, is obvious in the text; and I am, therefore, particularly grateful to him for writing the prefatory words to this edition.

A. FORRESTER FERGUS

BROMLEY

1949

PREFACE TO FIRST EDITION

DURING the course of my Banking Lectures I have been surprised at the number of inquiries from students for a practical book, not confined to the exposition of the principles of Banking, but providing examples and illustrations of the work dealt with by a Branch Bank in England. "Of the making of books there is no end," and yet I have been tempted to add to their number, and offer no excuse other than that, of all those written on the subject, there is none which I feel has dealt with it in the manner or from the angle that I should wish.

The daily work of the Branch Bank in England, then, is the theme of this book, and the systems and practical methods which have been evolved to deal with it provide the field within which the theme has been explored. The analysis of the work advances progressively from that of the junior clerk, through the routine work of the office to the more responsible posts of Accountant and Branch Manager. The author feels such a natural order to be the best, since it follows the path which every clerk in the English Banking system, unless he be side-tracked into purely Departmental work, is destined to follow. Following it with patience and persistence, he may, like Bunyan's Christian, one day reach the promised reward—"an appointment."

Thus the whole field is covered and is illustrated wherever possible with practical examples. (It should be stated that all names mentioned in the illustrations and examples are fictitious.) Of course, there has been the obvious difficulty created by the lack of uniformity in banking methods, and it is possible that in certain instances one used to local procedure, which is quite out of the usual run, may find certain explanations inapplicable, and possibly unintelligible. Fortunately, banking technique tends more and more to reach uniformity, if not in detailed practice, certainly in principle. The aim has been, therefore, to explain the underlying principles of each part of the work, and then to give examples of the actual working out of these principles in practice.

Although at first sight any mention of banking law would appear to be out of place in a book bearing this title, yet an intimate knowledge of the law relating to the collection and payment of bills and cheques is so essential to the Bank man in his daily work, that it would be difficult to exclude it altogether. An attempt has been made, therefore, to present this in a practical manner in the hope that it may prove readily assimilable, and of real assistance, particularly to the cashier.

At the same time, opportunity has been taken to insert one or two suggested methods of procedure, some of which are the author's pet ideas. He is under no misapprehension that by so doing he is providing a rod ready made for his critics to wield to his discomfiture, and he can but trust to their tender mercies. However, the discerning eye may find in the following pages some hints which may prove of value to him in his daily work. The tabular form of presentation has been used wherever possible on the score of brevity and conciseness, and it is hoped that the Branch man himself may thus find it a handy book of reference—particularly those chapters dealing with Securities and Court Orders.

With the growing demand for practical as well as theoretical knowledge in commercial examinations, it is felt that the scope and method of this work may commend it to students who are taking the Institute of Banker's Examinations, as well as those studying for the examinations of the Institute of Chartered Accountants and the Chartered Institute of Secretaries.

Obviously a work covering so wide a field could not possibly be completed without aid from many sides. With so many helpers in various Banks and outside, who have given generously and without stint of their experience, it were invidious to mention some without naming all, but space forbids; and the author can but gratefully acknowledge his deep debt to all his kind helpers, as well as the indispensable assistance received from the numerous textbooks he has consulted.

"If I have done well, and as is fitting . . . it is that which I desired; but if slenderly and meanly, it is that which I could attain to."

A. FORRESTER FERGUS

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INSET

EXAMPLES OF ENTRIES IN REGISTER OF SECURITIES

CHARGED TO A BANK *facing page* 138

CHAPTER I

BRANCH BANKING

PROGRESS with its clamour and feverish activity seems to have swept past the quiet backwater in which lies the sleepy little town of Lullingford. The little old Bank, with its timbered fronts and gabled windows, set on a corner facing the equally ancient hostelry in what the town is proud to call its market square, accords well with its surroundings. Its very bricks breathe forth the same air of placidity and old worldliness.

If, however, a chance visitor cared to push through the swing door he might meet with a few surprises in that little old Bank. He would find that, despite its "dated" exterior, a surprising amount of light penetrated into the office, and that the office furnishings were far from being antique. A typewriter chattering busily in one corner, and an adding machine of sorts being operated with some vigour behind a screen, would soon dispel any idea of somnolence on the part of the staff.

If he could peep into those ledgers being posted by a very modern young lady, another surprise might await him. He would find that this little Bank had advanced nearly a quarter of a million pounds to various new industrial concerns springing up in the district. His first thought might be—"How can such a little place possibly lend such a sum?"

The manager, with an eye for a new customer, could soon let the visitor into this secret, if, indeed, it had not dawned upon him already. This is no venerable private Bank transacting local business according to time honoured custom, but the flourishing Lullingford branch of a great national Bank; backed by all the resources and power of an organization of world-wide repute. The old-world exterior is deliberately planned to effect a harmonizing of the Branch with its charming surroundings.

Far from being out of touch with the business world, this little Branch, the Manager would point out, can place at the disposal of its customers practically the same facilities and

services as a big London Branch. Every kind of foreign business, trade inquiries for all parts of the globe, stock and share transactions, Income Tax returns and claims, whatever the complexity and magnitude, can be undertaken by the Lullingford Branch, and carried through expeditiously.

A cleverly worded little brochure which can be had for the asking, enumerates some of the services which the Bank has to offer. The normal banking requirements of a market town are well looked after, while the modest savings of the youngest inhabitant are not despised.

Fifty years ago, when this little Bank was owned by a private banker, things would have presented a very different appearance. Certainly the Bank was well managed, and the Banker was known and respected in the district, but he could scarcely boast the same services and facilities as the present Manager. As a private banker, his lending powers were restricted by his necessity to "balance his position," for his deposits could be collected only from the surrounding district—then poor and struggling. Moreover, bad times in the district affected him as much as they affected the townsfolk and local farmers. Just when his help was needed most, he was in no condition to come to their aid. He at last succumbed to the inevitable, and accepted the offer of a powerful Joint Stock Bank anxious to extend its business to Lullingford.

This is typical of what was taking place throughout the country at the time. Amalgamations and absorptions of smaller and weaker Banks by their stronger joint stock competitors had been steadily going on for some time. In 1810 there were 721 separate bankers, most of them with one office only. To-day there are twelve Clearing Bankers, with over 10,200 Branches. Five of these Banks alone show between them no fewer than 8600 Branches. Branch Banking, therefore, is an essential feature of modern British banking practice.

BRANCH BANKING ORGANIZATION

The organization of these huge Banks with from 1000 to 2000 Branches must be very thorough and efficient. Very early it was recognized that, if inequality of treatment to customers of different Branches of the same Bank were to be avoided, a

uniform policy must be maintained throughout the Bank. Also, if a comprehensive and adequate surveillance of all Branch business were to be maintained, a standardized system of book entry and accounts was a prime necessity.

To ensure such uniformity of policy and practice, certain powers are retained at the centre. The Branch Managers work under the direction of the General Managers. They in turn translate into practical terms the policy as dictated by the Board of Directors. The General Managers are responsible for their stewardship to this Board which, of course, represents the shareholders, the proprietors of the Bank.

The General Managers are assisted in their administrative work by a highly specialized staff which, with certain other specialist departments, is known by the general title of Head Office, and is housed, as a rule, in the City of London. Head Office must not be confused with the Bank's Chief City Office, though often it occupies part of the same building. The City Office is a Branch of the Bank, just as Lullingford, and functions as such.

HEAD OFFICE DEPARTMENTS

In addition to the staff directly assisting the General Managers there are a number of specialist departments which deal with work which cannot be performed by Branches, or which it has been found more convenient or economical to delegate to a central department.

These may include—

Foreign Office.

Clearing Departments.

Stock Office.

Coupon Department.

Bullion Office.

Income Tax Department.

Trustees' and Executors' Departments.

Secretary's Office.

Registrar.

Premises and Architects' Department.

Economic Intelligence Department.

The whole of the accounts and statistics of the Bank are collected and correlated by the *Chief Accountant's Department*.

A Central Stationery Office may also be housed in the same building, although it is far more economical and convenient to allot it a separate building outside the City boundaries.

STAFF DEPARTMENT

Lastly, a Central Staff Department is responsible for the engagement, payment, transfer, and direction of the staff of the whole Bank. The local Branch Manager must supply this department with all necessary data relative to the staff under his care, but he is not allowed to determine their remuneration or dismiss members. If he requires more staff, he will petition the Staff Department; and in special circumstances he may have power to engage the services of candidates who come within the requirements as laid down by the Staff controller; if the Branch is overstaffed, the Staff Manager arranges for a transfer to a more poorly served Branch.

BRANCH MANAGER'S POWERS

The local Branch, then, is subject to this central guidance and direction, and Head Office instructions must be obeyed, for the Branch is but part of the larger organization, and subject to the rules framed for the benefit of the Bank as a whole. Thus it would appear at first sight that all initiative is taken out of the hands of the local Manager. This is not altogether true, for he still has considerable discretionary powers, his duty being to use the machinery at his disposal, and to adapt it to local needs.

BRANCH ORGANIZATION

The organization of the Branch itself is governed largely by the general system of the Bank, though modified by local requirements. In each case, however, it is possible to divide the work into five sections—

1. Managerial.
2. Security Work.
3. The Counter.
4. Ledgers.

5. Juniors: dealing with Pass Books, or Statements of Account, Clearings, and Post.

In a small branch, such as Lullingford, each of these sections will be represented by one of the staff, though naturally their duties will be more diverse and varied than just the name of the respective Departments implies. Most of these duties appear in the following chapters.

In a larger Branch this division of the work can still be traced into Departments, e.g.—

Managerial Office.

Securities Department.

Cashiers.

Ledgers or "Books" Department.

Waste Clearing Department and Post.

The individual clerks then in each Department tend to specialize in one particular job.

In apportioning the work to the available staff there are a few general rules to be borne in mind.

1. The customer must not wait on the system; the organization must be framed to meet his requirements.

A slogan for the staff, and particularly for the cashiers, should be "The customer must never be kept waiting," not, be it noted, "The customer is always right." This attitude of the British Banker is well illustrated by his methods when applying new machine accountancy methods. He will not coerce his customers into accepting new methods to which they object, however good they may appear from his own point of view. If the customer prefers to retain his Pass Book, when offered the new Statement Sheets, then the organization of the Branch is adapted to meet his wishes.

2. A ledger keeper should not also operate a Till.

Experience has proved that a valuable check on the cashier is lost if the two posts are combined. It is not always possible to make a hard and fast rule on this point. Frequently, as in the small Branch mentioned above, it may be found that the ledger keeper must take the odd till in rush times, or during the cashier's lunch time.

3. Similarly a ledger keeper should not write up the check

ledgers for his own section. Nor should he make up the Pass Books, nor machine the Statements for the accounts he posts in the ledger. Otherwise the check on his work is lost.

THE ORGANIZATION OF A "MECHANIZED" BRANCH

The manner in which the work is apportioned and the staff organized in a larger Branch, where full use is made of machine methods, is best illustrated by a brief description of a practical example.

In a busy London office with a mixed clientele and approximately 2500–3000 accounts, it is found that the work can be done efficiently with twenty-eight clerks not including the Manager or Managers. The ratio between the number of staff and accounts cannot be fixed by any rule of thumb, for the amount of work involved in each account varies from Branch to Branch. Experience is the safer guide.

The staff available in any Branch should be such that, when all are present, the work is comfortably handled. In a large Branch there should be one man over—the spare man, to provide a certain elasticity. Nearly half a year the staff is below full strength on account of holidays, and various contingencies such as influenza epidemics have to be taken into consideration.

The distribution of the staff in the Branch under review is shown in diagrammatic form on page 8. It is found that two control machinists, whose work corresponds roughly with that of the clerks entering the Waste Books under the manual system, are sufficient to deal with the work of five cashiers (the extra cashier is required only for rush periods and lunch times). These machinists pass the work on to two "batching up" clerks responsible for analysing the work and making up the Clearings, including the Local Clearing, if any. The control machinists also assist in the final balancing of Batch Sheets and Clearings.

Three ledger keepers and three statement machinists deal with the work actually passing through the accounts of the Branch.

The work of the Machine Section of the staff is so self-contained and inter-related that it is convenient to treat it as

an entity, placing one man in charge to be directly responsible to the accountant or chief clerk. This system of departmental responsibility is also applied to other sections of the work where possible. For example, the chief cashier is responsible for the work of his counter staff, and the head security clerk for the work of the Security Department.

Deposit, Home Safe, and Loan Ledgers are still as a general rule posted manually, even in a "fully" mechanized Branch, and may well be the work of one man, but the check call-over of these books is done by the most senior man available, usually the accountant or sub-manager. The Deposit Clerk may also post the General Ledger from the General Cash Book, the latter being balanced by the First Cashier. In certain mechanized systems, however, these two books are an integral part of the machine book-keeping: the balancing of the day's work being done by the Head of the Machine Section and the General Ledger accounts being posted on two sides for checking purposes, once by the Senior Ledger-keeper and the other, the detailed side, by the Senior Statement keeper.

Five cashiers, with a foreign exchange clerk to act as spare cashier, may seem a generous allowance for a Branch of this size, but under-estimating in this Department invites trouble. Work is apt to come in sudden rushes at the counter and customers strongly object to being kept waiting. The accountant can make good use of the slack periods at the counter to get some of the odd jobs done, such as checking Ledger Decimal Sheets, cancelling Clearings and so on. Special work such as Interest Trials may also be done by the cashiers.

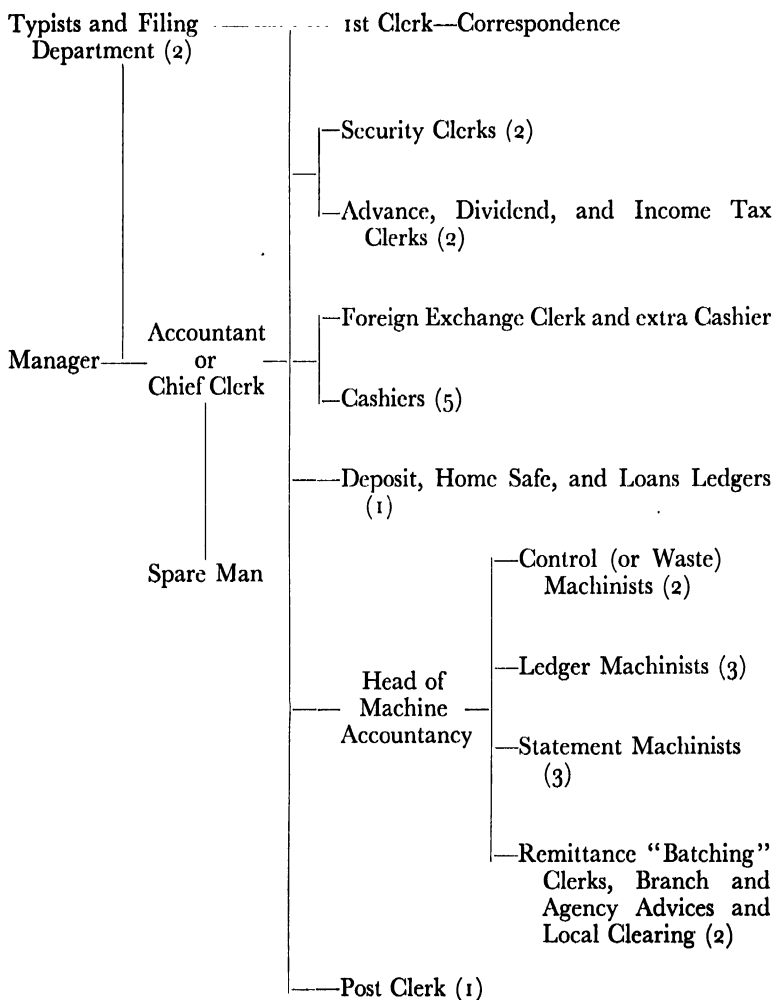
The number of staff required in the Security Departments depends entirely on the class of customers at the Branch. A predominating number of private accounts usually means heavier security work.

The first clerk or correspondence clerk is the general reliability man of the Branch, ready to carry on with the accountant's duties at a moment's notice.

It will be noticed that the typists are divided between the correspondence clerk, the accountant, and the Manager. How their work is apportioned is a matter of arrangement between themselves. The senior typist may deal with the work

DISTRIBUTION OF STAFF FOR MACHINE ACCOUNTANCY

LARGE BRANCH OFFICE WITH STAFF OF 25-30



of the Manager and accountant, and the other deal solely with letters from the correspondence clerk. On paper this is an obvious solution, but in practice things do not often work out quite so simply.

The spare man has been mentioned before, and he appears again and again in succeeding pages. He is the accountant's right-hand man, a very present help in times of trouble—not excluding the periodical visits of the Branch Inspectors.

The practical work of the accountant and the Manager is dealt with in some detail in the last two chapters. The accountant is the Branch organizer and much depends on him; his work is not easy and is often further complicated by sub-branches and by the necessity of providing holiday relief for neighbouring Branches.

CHAPTER II

BRANCH BOOK-KEEPING

At first sight Bank accounting is somewhat puzzling. The very first lesson the young bank clerk learns is that cash paid into the Bank is accompanied by a "credit" slip, and is "credited" to the account of the customer; that any payment out is represented by a cheque or debit slip, and is "debited" to the account, and with constant repetition receipts become always associated in his mind with "crediting" and payments out with "debiting." Consequently, when he endeavours to apply the elementary rules of double-entry book-keeping, he feels defeated at the very onset. Should he persevere with his inquiries he will, sooner or later, meet with some such explanation as : "Oh, that total is put on the right-hand side of the white book." After a prolonged search he may find the "white" book masquerading under a green cover. At this stage he probably feels inclined to give up any attempt to get a comprehensive grasp of the system, concluding that Banks have a unique brand of book-keeping which defies interpretation.

Certainly the multiplicity of names given to books having essentially the same function, even in Branches of the same Bank, makes the task of explanation somewhat difficult. These special names are often a link with the past. The fact that this may lead to confusion and irritation merely appears to give added vitality to these pet names.

Fortunately the confusion does not extend to the book-keeping systems themselves. The parallel development of the great Joint Stock Banks, in this country, has led to a remarkable similarity in methods, rulings of books, and general procedure. We have noted, too, that each Bank insists on a uniform system throughout its Branches, and this essential uniformity more than offsets any difficulty which may remain through a difference in nomenclature employed. Once the function of a book and its place in the accounting are grasped, it may be recognized under whatever pseudonym it hides.

In the larger Branches machines have largely replaced pen and ink for ledger posting and routine work generally. This mechanical accountancy appears, in some instances, to bring about a radical change in the system of keeping Bank accounts. It is proposed, therefore, to deal first of all with the manual system, which to many will sound very out of date, and to deal later with the description of some mechanical methods of doing the same work. Once the main principles of the one system are grasped, it will be seen that the changes brought about by machine technique involve no fundamental departure from the principles laid down for sound book-keeping.

THE DOUBLE-ENTRY SYSTEM

It must be stressed that, notwithstanding any appearance to the contrary, Bank accounts are kept strictly on the double-entry system. Every debtor entry must be offset by a corresponding creditor entry. If the contra entry is not made immediately in the books, then it appears when the totals are posted from the books of original entry later in the day, for these totals are placed on the opposite side to the individual items. The dual nature of each transaction must be preserved or the daily balance of the work cannot agree.

In its simplest form double-entry book-keeping requires two books only—

(a) A Journal, to preserve in chronological order all entries passing through the books;

(b) A Ledger, to keep, under various headings, a complete and permanent record of the transactions.

The Cash Book recording all cash items, although it may be kept in a separate book for convenience, is really a ledger account. Moreover, cash items are seldom entered in a separate Journal, since the Cash Book itself fulfils the double function as a ledger account and a Journal.

Now how does Bank book-keeping fit into this system?

BANK BOOK-KEEPING SYSTEM

It is essential to bear in mind that the Banker is a dealer in cash and credit documents. In a sense, his stock-in-trade

consists of cash and credit, and this necessarily governs the kind of books he will keep, and the design of his accounting.

(a) Thus his *Books of Original Entry* are really an elaborate analysis of his cash transactions. His *Journals* are extensions of his Cash Book, and the totals of these Journals may be gathered up into his Cash Book at the end of each day. Such a Cash Book, when kept in separate book form, then performs the double function of a summarized Journal, and of a ledger account showing the day-to-day position of the Branch Cash. Where this Journal Summary is made elsewhere, e.g. in a Check Ledger Summary or Waste Book Summary, then the Cash in Hand Account takes its rightful place in the General Ledger itself.

Books of original entry include—

1. *Cashier's Received Books* recording all moneys received.
2. *Cashier's Paid Books* which record moneys paid out of accounts in respect of cheques cashed and deposits withdrawn.
3. *Received Waste Book* where all credits are recorded, and, cheques, drafts, P.O.'s, etc., for collection, analysed, recorded and sorted into various clearing totals: the Out Clearing.
4. *Paid Waste Book* recording items received from Head Office for payment out of Branch accounts: the In Clearing.

(b) The "ledger" of the Banker is his *General Ledger* or Impersonal Ledger. It is that ledger which records in summary form all his liabilities to his customers, Head Office, and other Branches; his assets held against them; his earnings accounts, and expenditure accounts. Consequently it is easily the most important book in the Branch.

The General Ledger, with the cash in hand, is self-balancing, and the exact position of the Branch may be ascertained from it at any time. A test of the arithmetical accuracy of the posting and the extension of balances may be made by extracting the balances, with the cash balance, when the total debits should always equal the total credits. This Trial Balance is extracted periodically, usually on the dates when a return of all balances held in the ledger is made to Head Office.

All other ledgers, even the Current Account Ledgers, are subsidiary analysis or detail ledgers of the summary accounts shown in the General Ledger. The individual balances in

these detail ledgers are gathered up into one grand total in the respective accounts in the primary book. For example, the net amount of all accounts in the Current Accounts ledgers is shown by the balance, or balances, outstanding in the Current Accounts Account; the net balances of the Deposit Ledgers by Deposit Account, and so on.

THE "SLIP" SYSTEM AS A JOURNAL

These detail ledgers occupy a large part of the attention of the Branch staff. They must be kept up to date to the minute, wherefore it becomes impossible to post them from the books of original entry. The difficulty is overcome by posting direct from the debit and credit "slips" themselves, using these slips as a kind of continuous Journal, which runs parallel with the one described for posting to the Cash Book and General Ledger. The slips are collected and entered in *Day Books* or *Check Ledgers* with which, as the latter name implies, the entries in the ledgers can be called back later.

We may summarize the foregoing rough outline of Bank book-keeping in the diagrammatic form shown on the next page.

DAILY BALANCE

Now, in a business dealing almost exclusively with cash and cash documents, it is obvious that a rigid check must be kept on the work at every stage. The Till money of each cashier must be agreed daily with the work passing through his book; cheques coming into the Branch for collection must be agreed with the total credited; items presented for payment, either over the counter or through the Clearings, must agree with the total debited, and so on. But this is mere piecemeal agreement, and something more comprehensive, embracing the whole monetary transactions of the Branch in its scope, is required, before the Banker, or his modern counterpart, the Branch Manager, can rest easy in his bed. Consequently, it is usual to make a grand balance of all the cash transactions of the Branch, and to gather up for this purpose all the figures and totals from the Journals or books of original entry, into what is known as the *Daily Balance*.

DEBIT AND CREDIT SLIPS

Cashier's Received
Book

Cashier's Paid
Book

Received Waste
Book

Paid Waste
Book

General Cash Book

Journals,
Day Books or
Check Ledgers

General Ledger

=

Detail Ledgers
Current A/cs.
Deposit A/cs.
Home Safe A/cs.
Loans.
Interest A/cs.
etc.

In the case of every such agreement, whether in a Cashier's book or the postage book, the method of procedure is always the same. "What I had, plus what I have received, should balance what I paid plus what I have remaining." The cashier balances his book by adding his overnight cash in hand total to his receipts on one side, and his payments to his cash balance remaining at the end of that day's business, on the other. So also the Daily Balance equates the total receipts of the Branch, plus cash balance brought in from the previous day's work, with the total payments plus cash balance carried forward to the following day.

From the sketch of the system outlined above, it will be clear that the data for the Daily Balance may be collected either from the books of original entry, Cashier's Books and Waste Books, or from the Check Ledgers totalling the individual debit and credit slips. In each case the "contra" entries must appear to preserve the double entry.

Where the totals are collected from the books of original entry, the Daily Balance is achieved in the form of a *Summarized Cash Book*.

A simple example of such a Cash Book is given on p. 16.

At this point there is an important fact to be noted. From the example of Cash Book shown here it will be seen that the total of paid debits appears on the right-hand side—the Creditor side; whilst the total of "credit" slips is placed on the left-hand side—the Debtor side. That is because the Cash Book is the record from the Branch point of view of its cash transactions. Moneys received are debited, and moneys paid credited, and the cash balance is brought forward in the Dr. side since it is a Branch asset. Thus, despite superficial appearances to the contrary, Bank book-keeping is certainly orthodox.

When these totals are posted from the Cash Book to the General Ledger, they appear, of course, on the opposite sides of the accounts. For example, the total against "Current Accounts" on the left-hand side of the Cash Book is placed on the right-hand side, the Creditor side, of that account in the General Ledger. We know that this is the total of credit slips and feel that once more we are on familiar ground.

The "slips" themselves, meanwhile, have been posted to the customers' accounts in the Current Account Ledgers on the same sides as their totals in the General Ledger. Thus the detail ledgers keep in step with the summary accounts in the General Ledger.

As mentioned above, the Daily Balance may be struck in the form of a *Check Ledger Summary*, using the data from the parallel "slip" Journal. The appearance of this Summary is

CASH BOOK

	£	s.	d.		£	s.	d.
CURRENT ACCOUNTS	1092	4	6	CURRENT ACCOUNTS—			
Per Waste Summary Sheet				No. 1 Cashier Pay	100	13	6
(Total of Current A/cs credit slips)				No. 2 Cashier Pay	110	14	
				No. 3 Cashier Pay			
				No. 4 Cashier Pay			
				In Clearing	890	13	9
				Local Clearings	25	19	
				House Debits	346	2	3
					1474	2	6
DEPOSIT ACCOUNTS	100			(Total of debit slips on Current A/cs paid by the Branch)			
(Credit Slips)				HOME SAFE ACCOUNTS	2		
HOME SAFE ACCOUNTS	3	17	9	(Paid out)			
(Credits—Cash paid in)				BRANCH CREDITS	1417	16	2
BRANCH CREDITS	922	4	5	(Total of claims received from other Branches—as part of the In Clearing—in respect of credits received on their behalf by the Branch)			
(Total of credit slips received for accounts at other Branches of the Bank. The claims for the amounts will be received from the respective Branches a few days later and will then appear on the other side)				HEAD OFFICE ACCOUNT	1645	2	2
HEAD OFFICE ACCOUNT	2496	4	5	(Out Clearing, per Waste Summary Sheet, for which Head Office is debited)			
(Total credited to Head Office by Branch for In Clearing, Agency Credits, Money Received from Head Office, etc.)				LOANS	250		
LOANS ACCOUNT	500			(Debits)			
(Credits)				PETTY EXPENDITURE	2		
STAMPS—CHEQUES	2	5		Postage Stamps			
Cash Overnight	3787	9	11	Cash in Hand	4113	5	2
	£8904	6			£8904	6	

very similar to that shown for the Summarized Cash Book, since they both summarize the same items. An example showing a summary of the same figures as in the specimen Cash Book, above, would appear as shown below.

But it should be noted that, although the left-hand side of this Summary is headed "credits," the full total less cash brought forward is posted to the Cash in Hand Account on the *debit* side: similarly the total debits are posted to the *credit* side of that account, thus bringing the book-keeping into line with the previous example.

Where the Daily Balance is arrived at from the Check Ledger totals in this manner, it is often the practice, at the same time, to balance the parallel Journal by bringing the

CHECK LEDGER SUMMARY

Credits			Debits		
£	s.	d.	£	s.	d.
842	7	9	446	14	11
249	16	9	1027	7	7
1092	4	6	1474	2	6
100					
3	17	9			
3418	8	10	3062	18	4
(Total credited to H.O. In Clearing + Branch Credits going out, etc.)			(Total debited to H.O. Out Clearing + Branch Credits claimed by the Branch)		
500			250		
2	5				
			2		
			(Postage Stamps)		
5116	16	1	4791		10
3787	9	11	4113	5	2
£8904	6		£8904	6	

For example, a Branch commencing business must have some Till money with which to work. This is supplied by Head Office, and results in the following book entries—

(a) Head Office debits an account headed with the name of the new Branch in its books.

(b) The Branch credits an account headed Head Office Account in its General Ledger for a corresponding amount. (This sum is balanced in the Branch books by the cash on hand.)

Thereafter, for all items forwarded by the Branch to Head Office, cash, or cheques for collection, e.g. the Out Clearings, Head Office Account is debited in the Branch Ledger, and the Branch Account at Head Office credited. Similarly any claims by the Head Office on the Branch in respect of In Clearings, or cash forwarded, are settled by entries as for the opening transaction. The two accounts must balance. Every movement in one is reflected by a movement in the other in a reverse direction.

A debit balance on the Head Office Account in the General Ledger represents the total of the Branch funds held by Head Office. If the Branch has lent to its customers more than it has received from them, the difference is borrowed from Head Office, and the account in its books then shows a credit balance.

PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

No mention has yet been made of "Final Accounts." It must be confessed that from the point of view of the Branch man this often intriguing grand finale is for him something of a disappointment. His duty at the end of the financial period is completed by closing the earning and expenditure accounts in the General Ledger by transferring the balances to Head Office, where they are incorporated in a grand Profit and Loss Account. A Return is made at the same time of all other balances remaining in the Branch General Ledger.

At Head Office all these balances and Returns are collated, and the figures of the whole Bank are brought into a grand Profit and Loss Account and Balance Sheet. From the gross Profit or Loss figures so ascertained the Board of Directors may

compile an Appropriation Account to place before the shareholders, showing their recommendations for the disposal of the net balance.

There is quite a friendly competition among the various Head Office accountancy staffs to be the first to issue final figures, the winners of which have cause for justifiable pride. Surely it is a great achievement to collect and correlate figures from literally thousands of Branches, and weld them into final accounts showing the total assets and liabilities of the Bank and the collected results of the trading of all Branches of the organization. Remember that the whole process is complete within a few days or even a matter of hours of the closing of the books. The achievement is possible only with splendid organization, and a meticulous regard by each Branch for Head Office instructions.

A BRANCH PROFIT AND LOSS ACCOUNT

Although the final accounts for the whole Bank are prepared by Head Office, and from them is deduced the results of the trading of the Bank as a whole, they do not reveal the contribution of each Branch to the final result. It is of considerable help to the administrative staff at Head Office and of interest to the Branch Manager to ascertain the net trading Profit or Loss for each Branch.

This information is possible only after the figures for the whole Bank are complete, for much of the Branch work is carried out by central departments. It is only fair that the cost of these departments and the general administrative expenses be shared by all Branches in proportion to the size or work of the Branch. Another adjustment must be made for the minimum cash holding of the Bank, for one Branch must keep a high cash balance to meet the requirements of its own customers and perhaps those of other Branches in the vicinity, while another may need only a very small cash holding and can utilize profitably a larger proportion of its deposits.

Again, the balances which a Branch is unable to utilize itself are forwarded to Head Office, either to be drawn on by other Branches, or to be lent to the Money Market, invested in securities, or otherwise used to earn interest. The Branch

expects some share of the profits earned with its money. On the other hand, the Branch may have borrowed heavily from the central funds to advance money to its customers, receiving from them the usual interest charges, and it must pay Head Office for this facility. Obviously some adjustments have to be made for these cross claims.

It is not proposed to deal in detail with the actual compilation of a Branch Profit and Loss Statement, since it is merely a statistical analysis which varies considerably in its make-up between the Banks.

CHAPTER III

MECHANICAL METHODS

IN a machine age it is not to be expected that the business of banking, however rooted in precedent and conservative in outlook it might seem to be, would escape the general drive to mechanize every possible routine job. After all, had not the calculator, the adding machine and typewriter been invited into the banking parlour to relieve the Banker of some of the chores of his trade? And were they not now part of the accepted and, indeed, essential furniture of his office? What could be more reasonable than that the Banker should make full use of the newer mechanical aids and thus do away entirely with all pen and ink drudgery for ever!

But the British Banker, true to his national character, does not discard old ways until he proves that he is not losing thereby something of real worth. His technique has been moulded by generations; and he takes pride in the trusted relationship between himself and his customer. So in this matter of mechanization he has decided to hasten slowly; indeed, in a few instances, a certain amount of "de-mechanization" has taken place where it has been deemed expedient for one reason or another.

The present stage, frankly, is still one of transition. Each Bank is feeling its way and none claims to have evolved the perfect system. The supplying firms are only too willing to invent, modify, and adapt their machines to the requirements of the banker once they have been stated. Thus new machines are being introduced continually and machine technique changes accordingly.

But as a result of some years of experience with new equipment and also in consequence of some hard lessons learned during the war years of staff shortage, certain broad lines of machine technique as at present applied to our banking system can be observed and noted.

The battle for the pre-requisite for any mechanized system—

loose-leaf books or cards—has been fought and won. The few misgivings the banker may have had on the score of safety have, as a result of experience, largely disappeared; loose-

EXAMPLE OF STATEMENT SHEET ISSUED TO CUSTOMERS

JOHN W. NOBLE ESQ.

IN ACCOUNT WITH

N.C.R. BANK LIMITED.

DATE	PARTICULARS	DEBIT	CREDIT	BALANCE
2 AUG 48	BALANCE FROM PASSBOOK			745. 15. 8
17 AUG 48	JAMESON	44. 16. 8		
	CHEQUE BOOK	1. 0. 0		
	MARSHALL & SIMPSON	15. 15. 9		
	CASH		52. 16. 9	
	SUNDRIES		80. 3. 6	817. 3. 6
18 AUG 48	FOSTER & CO.	144. 7. 0		
	HARRISON	6. 16. 0		
	BAKER	16. 4		
	TILLINGTON & SON	843. 17. 9		
	CASH		40. 3. 7	
	CHEQUES		25. 16. 9	112. 13. 3 <i>OD</i>
23 AUG 48	MARTIN & EDWARDS	20. 0. 8		
	DAVIS	330. 0. 6		
	GARTON & JONES	15. 0		
	CHEQUES		123. 17. 9	339. 11. 8 <i>OD</i>
25 AUG 48	BARKER	1. 12. 8		
	CHISNALL	5. 5. 0		
	PEARSON	4. 12. 6		
	JACKSON	12. 17. 9		
	SUNDRIES		23. 16. 9	
	CHEQUES		548. 16. 9	208. 13. 11

Items marked *OD* in Balance column are printed in red by the machine.

leaf ledgers and record books and record cards are now an accepted part of banking technique. Certain special precautions for the care of stocks and replacements have, of course, to be taken.

The extent of the mechanization which is economical for each Branch will depend mainly on the number of staff engaged on routine office work. Even in a large office where

EXAMPLE OF A STATEMENT SHEET ISSUED TO COMMERCIAL CUSTOMERS

FRONT
A.F.F. TRADING CO. LTD.

IN ACCOUNT WITH	BANK LIMITED.		BRANCH.	
	1948 DATE	DEBIT	CREDIT	BALANCE
				CREDIT OVERDRAWN O.D.
	Jul 16	FORWARD		
	Jul 17 181	6. 0. 0.		367.13. 9.
	Jul 17 183	6. 0. 0.		
	Jul 22 182	25. 0. 0.	500. 0. 0	855.13. 9.
	Jul 22 184	6. 0. 0.		
	Jul 22 185	7. 0. 0.		
	Jul 24 186	5. 0. 0.		817.13. 9.
	Jul 24 187	5. 0. 0.		
	Jul 24 190	10. 0. 0.		
	Jul 29 192	3. 7.10.	Eagle Star Insee. 64.19. 4.	862.13. 1.
	Jul 29 194	6. 0. 0.		
	Jul 29 201	8. 0. 0.		845. 5. 3.
	Jul 30 CBK	5. 0.		
	Jul 30 205	17.18.10.	New York, \$37.60 @ 4.05%, less charges.	836. 5. 2.
	Aug 1 206	1.12.11.	9. 3. 9.	803.19. 1.
	Aug 1 208	30.13. 2.		

ECONOMY OF PAPER. YOUR STATEMENT IS AVAILABLE ON REQUEST BUT PLEASE ASSESS US TO CONSERVE SUPPLIES OF PAPER BY TAKING IT ONLY WHEN FILLED PROVIDING THE INTERVALS ARE NOT TOO LONG.

ABBREVIATIONS

CBK. CHEQUE BOOK	CPN. COUPONS	LNS. LOANS	SUP. SUPPLEMENTARY
CC. COUNTRY CHEQUE	D.A. TO OR FROM DEPOSIT A/C	PST. PER POST	STOCK PER POST
CHS. CHARGES ON A/C	DIV. DIVIDEND	REG. REGISTRATION FEE	SUB. SUBSCRIPTION
COM. COMMISSION	INT. INTEREST	SDS. SUNDRIES	UPD. UNPAID

THIS STATEMENT SHOULD BE CAREFULLY FILED AWAY IN THE WALLET PROVIDED

CONTINUED ON THE BACK.

This gives cheque numbers instead of payees' names and shows the use of abbreviations.

mechanization can be carried out to its maximum, it is practical at present only for the general office routine posts; these will include—

ledger sections, including General Ledger,
check ledgers, or mechanized equivalent,
clearings,
waste or control departments, and
statements of account.

It may be convenient then to administer these sections as one entity—the mechanized section—with an expert in charge. In a smaller Branch such as Lullingford, part only of the General Office work may be done by machine, e.g. the statements, waste and clearings; ledgers then may be hand posted either in bound books or on loose-leaf sheets kept in covers.

Again, in the case of the fully mechanized office of large size the machines can be more specialized and designed for maximum efficiency at one job. Thus there may be ledger machines, statement machines, and clearing or waste machines, as well as straight listing and “duplex” listing machines for remittances.

In the smaller offices such specialization would be uneconomical and the machines are designed so that they can readily be adapted by the operator by a simple adjustment to perform all the functions enumerated.

CHANGES IN BRANCH BOOK-KEEPING BROUGHT ABOUT BY THE USE OF MACHINES

It must be understood at the outset that the slip journal system of posting and listing from the debit and credit slips is retained without alteration under machine operation.

WASTE OR CONTROL

Perhaps the greatest alteration has been made in the work of the Waste Clearing or Analysis Department. Whereas formerly it was quite usual for the analysis of items paid in on a credit slip to proceed into eight or even ten columns, under mechanization the analyses columns rarely exceed four. In one system this analysis proceeds in two stages. First an analysis in a “Control” machine into two columns, debit and credit,

AN EXAMPLE OF LEDGER POSTING BY MACHINE

JOHN W. NOBLE ESQ.

SHEET No.
REGD. No.
CONTN. No.

Date	Particulars	Debit	Credit	Balance	Days	Products	Pick-up
19. 15 MAR 17 MAR	FORWARD JAMESON CHEQUE BOOK MARSHALL & SIMPSON CASH	44. 16. 8 1. 0. 0 15. 15. 9	745. 15. 8	745. 15. 8	T	* 1492.	745. 15. 8
18 MAR	SUNDRIES FOSTER & CO HARRISON BAKER TILLINGTON & SON CASH	144. 7. 0 6. 16. 0 16. 4 843. 17. 9	52. 16. 9 80. 3. 6	617. 3. 6	T	* 817.	817. 3. 6
22 MAR	CHEQUES MARTIN & EDWARDS DAVIS GARTON & JONES CHEQUES BARKER CHISNALL	20 0. 8 330. 0. 6 15. 0 1. 12. 8 5. 5. 0	40. 3. 7 25. 16. 9	* 112. 13. 3	OP	452.	* 112. 13. 3
25 MAR	PEARSON JACKSON SUNDRIES CHEQUES	4. 12. 6 12. 17. 9 23. 16. 9 548. 16. 9	123. 17. 9	* 339. 11. 8	OP	1020.	* 339. 11. 8
				208. 13. 11	T		

Items marked * are printed in red by the machine.

whereby the cast of the individual credits is checked; and a further analysis later, on Debit and Credit "Batch Sheets," the debits into clearings, current accounts, General ledger, Deposit, etc., the credits into Ledgers, current accounts, Deposit, Loan, etc; credits for other Branches and other Banks being segregated.

Ledger :

Batch No.

APR 11 1940

JOURNAL SHEET
Statements

Posted by B.W. Smith

Balances called by B.W. Smith

to B.W. Smith

APR No OLD BALANCE

DEBIT

CREDIT

BALANCE

Totals brought forward from previous "in" Clearing Journal Sheets.

	0	APR 29 46	2065.10.4	0	47748.18.8 ✓
164	764.18.0	APR 29 46 L.N.E.R.	8.0.0		756.18.0 ✓
167	106.4.4	APR 29 46 SAUNDERS	2.9.8		
		GERHARD	9.6		109.3.600 ✓
168	400.5.0	APR 29 46 SELF	6.3		399.18.9 ✓
170	681.18.10	APR 29 46 BRADMAN	2.1.3		679.17.7 ✓
172	240.7.4	APR 29 46 COLLIS	94.8.5		334.13.900 ✓
174	326.19.2	APR 29 46 BROWN & CO	248.16.9		575.13.1100 ✓
176	676.0.8	APR 29 46 BROWN	2.4.8		673.16.0 ✓
179	1199.3.5	APR 29 46 CALLARD	9.9.4		1195.14.1 ✓
180	4140.4.8	APR 29 46 BARCLAYS BANK	190.0.0		3990.4.8 ✓
184	99.8.0	APR 29 46 WHITE CITY STADIUM	9.10.0		108.18.000 ✓
185	4250.12.2	APR 29 46 CALLARD	6.12.2		4244.0.0 ✓
186	8.14.6	APR 29 46 ROYAL INSURANCE CO	5.6.8		14.1.400 ✓
187	36.12.8	APR 29 46 OFFICIAL RECEIVER	19.4		
		BLAKE	43.0.0		80.12.000 ✓
188	40.3.4	APR 29 46 SUSSEX CITY CRICKET CLUB	15.3.4		25.0.0 ✓
189	11616.6.6	APR 29 46 IMPERIAL TYPEWRITER	22.0.0	11594.6.6	
192	36.13.6	APR 29 46 MOTOR TAX	8.0.0	28.13.6	
193	51.19.9	APR 29 46 GRANT	2.0.0	49.19.9	
195	2.11.7	APR 29 46 IMPERIAL TYPEWRITER	23.0.0	27.11.700	
199	59.12.7	APR 29 46 DR. BARNADO	2.2.0	57.10.7	
200	16.5.3	APR 29 46 MARTIN	3.4.11	11.0.4	
203	168.13.4	APR 29 46 HIGGINS	84.6.8		303.0.000 ✓
		WOLLEY	50.0.0		573.7.1 ✓
205	578.7.1	APR 29 46 BELF	5.0.0		33.8.3 ✓
208	42.12.4	APR 29 46 WHEELER	9.4.1		999.18.10 ✓
209	1010.13.7	APR 29 46 RODRICK	10.14.9		4934.18.4 ✓
213	4063.14.5	APR 29 46 REEVE	26.16.1		133.7.600 ✓
217	120.18.11	APR 29 46 MORTON	12.8.9		577.10.7 ✓
233	586.0.10	APR 29 46 L.N.E.R. S. RLY	8.10.3		62.5.8 ✓
234	64.5.8	APR 29 46 CASPER	2.0.0		221.13.800 ✓
236	111.4.6	APR 29 46 TURIE	352.18.2		977.16.10 ✓
243	978.5.6	APR 29 46 DEERIDGE	6.8.8		61.5.9 ✓
244	85.14.6	APR 29 46 JEFFREY	24.8.9		6617.11.6 ✓
247	6718.6.6	APR 29 46 PRINCE & CO	100.13.0		141.18.1100 ✓
249	89.18.11	APR 29 46 JONES	50.0.0		7.600 ✓
		INSURANCE	2.0.0		64.17.3 ✓
253	9.13.4	APR 29 46 CAPONE	10.0.10		1583.1.9 ✓
254	70.6.4	APR 29 46 SMITH	5.9.1		
255	1608.18.6	APR 29 46 LATTON	25.16.9		
	0	APR 29 46	3485.10.5	0	89993.6.3 ✓

The reduction in the number generally of analysis columns is brought about by two factors. One is that for purely mechanical reasons it is more convenient for rapid operation to keep the number of columns as low as possible, and the second is largely a fortuitous circumstance that the number of clearings were reduced during and after the Second World War, 1939-45, thus requiring fewer analysis columns anyway.

LEDGERS

Ledger posting by machine follows closely the old lines of manual posting, but first the old balance must be picked up

in the machine. This may be shown on a Journal Sheet, as explained below, but is not recorded on the Ledger Sheet. The date is usually recorded automatically by the machine. Particulars of the items to be posted are entered by means of the typewriter incorporated in the machine: the addition of

FOLD HERE BEFORE USING

Ledges:

Q.

JOURNAL SHEET
Ledgers

Batch No.:

In Clearing

Posted by:

T. Jones

Balances called by:

A. T. Jones

to:

R. T. Jones

ONE 10-10-1916

AN No. OLD BALANCE 1916

DEBIT

CREDIT

BALANCE

Totals brought forward from previous "In" Clearing Journal Sheets.

	00	2,065.10. 4 AUG 29	00	AUG 29	4,774.81. 8 AUG 29
164	764.18. 0	8. 0. 0 - AUG 29		AUG 29	756.18. 0 AUG 29
167	106. 4. 4	2. 8. 8 -			
		2. 6. 6 - AUG 29			109. 5. 6 AUG 29
168	400. 5. 0	2. 1. 3 - AUG 29			399.14. 9 AUG 29
170	681.18.10	94. 8. 5 - AUG 29			579.17. 7 AUG 29
172	240. 7. 4	248.16. 9 - AUG 29			334.15. 9 AUG 29
174	326.12. 2	2. 4. 8 - AUG 29			373.51.11 AUG 29
176	676. 0. 8	3. 8. 4 - AUG 29			673.16. 0 AUG 29
179	1,198. 3. 5	150. 0. 0 - AUG 29			1,195.34. 1 AUG 29
180	4,140. 4. 8	9.10. 0 - AUG 29			3,990. 4. 8 AUG 29
184	99. 8. 0	6.12. 2 - AUG 29			1,088.18. 0 AUG 29
185	4,250.12. 2	5. 6. 8 - AUG 29			4,244. 0. 0 AUG 29
186	8.14. 8	19. 4. - AUG 29			14. 1. 4 AUG 29
187	36.12. 8	43. 0. 0 - AUG 29			80.12. 0 AUG 29
188	40. 3. 4	13. 3. 4 - AUG 29			23. 0. 0 AUG 29
189	1,616. 6. 6	22. 0. 0 - AUG 29			1,594. 6. 6 AUG 29
192	36.13. 8	8. 0. 0 - AUG 29			28.13. 8 AUG 29
193	51.12. 9	2. 0. 0 - AUG 29			49.12. 9 AUG 29
195	2,11. 7. -	23. 0. 0 - AUG 29			2,71.1. 7 AUG 29
199	50.12. 7	2. 0. 0 - AUG 29			57.12. 7 AUG 29
200	16. 5. 3	3. 4.11 - AUG 29			11. 0. 4 AUG 29
203	168.13. 4	84. 6. 8 -			303. 0. 0 AUG 29
205	578. 7. 1	50. 0. 0 - AUG 29			573. 7. 1 AUG 29
208	42.12. 4	9. 4. 1 - AUG 29			33. 8. 3 AUG 29
209	1,010.13. 7	10.14. 9 - AUG 29			999.18.10 AUG 29
213	4,96.11. 4	28.16. 1 - AUG 29			4,934.18. 4 AUG 29
217	120.18.11	12. 8. 9 - AUG 29			133. 7. 8 AUG 29
218	586. 0.10	8.10. 3 - AUG 29			577.10. 7 AUG 29
219	64. 5. 8	2. 0. 0 - AUG 29			62. 5. 8 AUG 29
216	111. 4. 6	332.18. 2 - AUG 29			22.13. 8 AUG 29
223	978. 3. 6	6. 8. 8 - AUG 29			977.16.10 AUG 29
224	85.14. 6	24. 8. 9 - AUG 29			61. 5. 9 AUG 29
227	6,718. 6. 6	100.15. 0 - AUG 29			6,617.11. 6 AUG 29
229	89.18.11	50. 0. 0 -			141.18.11 AUG 29
		2. 0. 0 - AUG 29			
235	9.13. 4	10. 0.10 - AUG 29			7. 600 AUG 29
234	70. 6. 4	3. 9. 1 - AUG 29			64.17. 3 AUG 29
255	1,608.18. 6	23.16. 9 - AUG 29			1,583. 1. 9 AUG 29
00		3,485.10. 59 AUG 29	00	AUG 29	8,993. 6. 3 AUG 29

credits to the balance and subtraction of debits is accomplished automatically, the new balance being recorded on the sheet—a credit balance in black and a debit balance in red.

Statement Sheets are posted parallel with the ledgers and in a similar manner: or they can be posted the following morning, when the debits and credits will be inter-sorted into one batch, sub-divided by ledger sections.

At the end of a run of posting a record can be shown, at a touch of a lever, of the totals of the old balances and of new balances. If these agree as between the equivalent sections of

ledgers and statements it is *prima facie* evidence that the posting is correct on both sides. It may be supposed that the correct calculation of the new balances could be accepted as a *sine qua non*. Alas, as a result of painful experience, it has been proved that this is a far too optimistic assumption for reasons mainly to do with the operator and which are explained fully in Chapter VIII, and it is now general practice to call back individual balances and account numbers of ledger and statement journals as a check on postings.

The posting of the *General Ledger* may also be done by machine. The Cash account or Cash on Hand account then assumes its rightful place as a ledger account and the daily balance is made on the Summary of the Journal Sheets or on the Summary of the Batch or Waste Sheets.

CHECK LEDGERS OR JOURNAL SHEETS

In most fully mechanized systems check ledger sheets have been replaced by Journal or Proof Sheets which are provided by the Ledger and statement machines. These are produced by means of a carbon paper superimposed on a large sheet which is retained in the machines and records a complete history of all entries, at the same time that the ledger sheets or cards are being posted. This record will show also the old balances picked up and the new balances calculated by the machine, which, as explained above, provide a ready medium for checking the work of the day. Examples of journal sheets are shown on pages 27 and 28.

CHAPTER IV

CLEARING SYSTEMS

MUCH of the routine work of a Branch is concerned with the collection of drafts and cheques handed over the counter by a customer for the credit of his account, and the clearing of these credit documents entails a considerable amount of detail work. To appreciate the necessity for a good deal of the procedure, it is essential to have a thorough grasp of the various Clearing Systems through which these drafts must pass.

Briefly, a Clearing System is a means of setting off the claims of one Bank against those of another, leaving only the net difference to be liquidated. It has been described as a method "by which all drafts are brought daily to a common receptacle, where they are balanced against each other," although the claims by one Bank seldom, if ever, exactly equal the claims on itself by another. It is to provide machinery for the settling of these inter-Bank differences, and to afford a ready and accurate method of interchange and agreement of these claims, that the Clearing Systems have been devised.

LOCAL CLEARING

In a provincial town, Lullingford for example, Bank A may find that it has to obtain payment for its customers of cheques drawn by customers of Bank B for £1000. But when the clerk, or messenger, presents these cheques for payment at the counter of Bank B, he may be met with a counter-claim for a similar amount for cheques drawn by customers of Bank A. Obviously it is a waste of time to transmit two separate bundles of notes to meet these two claims. The simple solution is to allow the opposing claims to cancel out.

Bank A would then balance its books by making the following entries—

(a) Crediting customers' current accounts with £1000 paid in on credit slips;

(b) Debiting the accounts of the drawers of the cheques received from Bank B amounting to £1000.

Bank B would make similar entries in its books.

If the rival claims do not exactly cancel out—if, say, the cheques presented by Bank A total £1010 instead of £1000—then Bank B, in addition to handing over its “charge” on Bank A, must pay the difference, £10 in cash. Should the difference between the charges on any day prove to be a considerable sum, it may be settled by a Banker’s Payment, or by passing the necessary debit and credit entries through the Agency Accounts with the respective Head Offices.

The cross claims of several Banks or Branches in the same town will tend to complicate the settlement, but the principle remains the same.

Every small town and outlying suburban district where there are two or more Branch Banks has its own local clearing. Each Bank may send out a clerk to visit all the other Banks, or a common meeting place may be arranged, where the various charges may be exchanged.

THE LONDON BANKERS’ CLEARING

In 1770 there was but one clearing in London. Messengers from the Banks in the City area met daily, by common consent, at a small inn called the “Five Bells,” situated in Dove Court, Lombard Street, and there the bundles of cheques and bills changed hands, and the differences were settled. It was then nothing more than a local clearing of wealthy City Banks.

With the growth of Branch Banking, the scope of this “Town” clearing gradually extended and the machinery was adapted and developed to deal with increasing demands. In 1854 a Country Cheque Clearing was established, being sandwiched in between the morning and afternoon Town Clearings. In 1902 the Clearing moved to premises in King William Street, the Country Cheque Clearing being carried on simultaneously with the Town Clearing with the aid of adding machines; in 1907 a new Clearing, the Metropolitan Clearing, was inaugurated. Thus, prior to the Second World War, 1939–45, there were three Clearings running through

the London Clearing House—Town, Metropolitan, and Country.

In August, 1939, the greater part of the work of the Clearing House was transferred to a Central Clearing House opened in the Midlands. The division of the work into the three sections was, for the time being, abandoned and that part of it still carried on in London confined to a local Town Clearing and a Walks Clearing.

The work running through the Central Clearing, as it was then called, included all cheques and bills of all the Clearing Banks, including cheques drawn on their own Branches. The settlement of the various claims was made through an account with the Bank of England, as will be explained later. Meanwhile the "Town" Clearing functioned as a local clearing for the Clearing Banks in the City of London, settlements being effected through the Bank of England as for the Central Clearing.

The transfer of the Clearings back to London commenced in October, 1945, and proceeded in sections periodically until the final transfer on 10th August, 1946.

At the time of writing we are still in the transitional period of rehabilitation after the cataclysmic upheavals caused by the Second World War. The "T," "M," and "C" remain on most of the cheques passing through the Banks and serve as a reminder of the three clearings in being prior to September, 1939. Now there remains the Town Clearing and the General Clearing—to give it its new designation. Both clear cheques and bills, and unlike the old clearings, the Bank of England clears both ways, that is, it acts as an out clearer and an in clearer: while again, unlike pre-war practice, the Central Bank dividends also run through the Clearing House.

The Town Clearing is still a "local" clearing for the City offices of the London Clearing Banks, that is, for all "T" cheques and bills passing through those offices, and comprises two clearings per day. The main one is in the morning, the afternoon clearing dealing only with items of fairly large amounts received during the day and sent to the Clearing House before the notified closing time.

The General Clearing is similar in set-up to the war-time

Central Clearing but the Clearing Banks now deal with their own "Branches" and "Walks" cheques and the settlement of the various claims is made through the Town Clearing. By far the larger number of articles passes through this General Clearing but the Town Clearing makes up for this in the size of the actual figures passing through it, as the following total figures for 1947 will show—

Town Clearing	.	.	.	£52,672,218,000
General Clearing	.	.	.	£20,657,469,000

Now a word as to terms and procedure used in the London Clearing House.

"OUT" CLEARING AND "IN" CLEARING

The cheques drawn on the Branches and correspondents of all the other Banks, which a Clearing Bank sends to the Clearing House, and for which it requires payment, is called its "*Out*" Clearing.

The cheques drawn by its own customers which the same Bank receives, in exchange, from all the other Clearing Bankers is termed its "*In*" Clearing.

Thus the "Out" Clearing of one Bank is the "In" Clearing of others, and the sum of all the "Out" Clearings must equal the sum of all the "In" Clearings.

The "Out" Clearing and the "In" Clearing of any one Banker will seldom, if ever, balance. Various adjustments also have to be made in the totals for cheques returned or delivered to the wrong Bank. To assist in the cancellation of this indebtedness between the members of the Clearing House an account at the Bank of England is opened, called the *London Clearing Bankers' Account*, which may be regarded as a common pool to which all debtors contribute, and from which all creditors are satisfied.

To help the Head Office in dealing expeditiously with the Clearings, the items are analysed fully into Banks at each Branch before remitting to Head Office. The items for each Bank or Clearing Agent are listed on separate sheets, and the totals brought to a Summary Sheet and cast into one grand total, the cheques and lists, with the Summary on top, being bound into one parcel.

ROUTINE OF CLEARINGS

The routine of the London Clearing House is very simple if it is followed through from the point of view of one Clearer, say, Bank A. It receives from its 1000 Branches a similar number of parcels of Clearing. All the parcels are passed on by the correspondence staff to the Clearing Department. There the cheques and lists for each Bank are sorted out, the cheques placed in tins, and the lists in heaps, the Summaries being thrown out into a separate heap. There are twelve "seats" in the "House." therefore excluding Bank A, there will be eleven heaps of cheques, eleven heaps of lists, and one heap of Summary Sheets.

The cheques are then distributed at the Clearing House to the drawee Banks and are machined by the In Clearers. The total so obtained by each is agreed with that shown by the Out Clearer, Bank A. If there is a small discrepancy between the totals, the In Clearer's figures are taken as correct, for settlement purposes; the actual error being traced later, and the amount adjusted direct between the Head Offices concerned. As fast as the items can be machined, they are hurried to the various Head Offices by runners, where they are sorted into Branches, and subsequently forwarded to each Branch as In Clearing, for payment.

Thus Bank A has distributed its Out Clearing and has recorded the sums handed over. At the same time its clerks at the Clearing House have received and agreed its In Clearing from all the other Clearers. It now remains only to strike a difference between the claims and settle the indebtedness. Instead of settling these differences as between Bank A and every other Clearer, a summary of these counter-claims is drawn up by listing the amounts on a sheet similar to the example on the opposite page.

The two sides are cast, and a final difference struck. This then represents the final sum to be received or to be paid by Bank A in respect of the counter-claims by itself and all the other Clearers. The other Clearing Banks draw up similar Summary Sheets and ascertain the net claim for the day's clearing; these sums being liquidated, as mentioned above, through the agency of the London Clearing Bankers' Account

BALANCE SHEET TOWN CLEARING

[illegible]

with the Bank of England. The actual transfer of funds to and from the account is done by debit and credit entries in the Banks' separate accounts, which are also kept with the Bank of England.

The authority for the transfer of funds to and from the accounts is by way of Settlement Tickets signed by the Bank and an Inspector at the Clearing House. One authorizes a transfer of funds into the Clearing Bankers' Account, while the other authorizes a payment out of the Clearing Bankers' Account.

The routine of the General Clearing is similar to that of the Town Clearing described. But instead of the net difference of each clearer being settled through the London Clearing Bankers' Account, the totals of each side of the respective Summary Sheets are carried forward to the Town Clearing Summary. One payment then liquidates the net outstanding indebtedness for both clearings. In the example of the Town Clearing Balance Sheet given above, it will be observed that provision is made at the bottom for the totals from the General Clearing and "W/D's" (i.e. "wrongly delivered") in the General Clearing. Against the letters C.H. (i.e. Clearing House) are placed the adjustments arising out of the clearings or for unpaid items returned after the clearing totals are struck.

UNPAID ITEMS

The amounts of all items refused payment by Town Clearing Branches are reclaimed from the Out Clearer by returning the unpaid cheques through the Clearing again, but in the opposite direction, i.e. as claims on the Crossing Bank. The City Bank thus learns the "fate" of "T" articles the same day, and it is possible for a customer of a Town Clearing Branch to present a "T" cheque for collection a few minutes before the Bank closes and know within two hours whether it is paid or unpaid, through the normal Clearing channels.

General Clearing cheques naturally take longer to clear. Any such cheques refused payment are returned to the crossing banker direct by post, the amounts being reclaimed by the In Clearer from the Out Clearer by means of *unpaid debit*

slips which are settled in a later Town Clearing Balance Sheet.

WALKS CLEARING

In London, cheques and drafts drawn on non-clearing Bankers are collected by "walks" clerks. Cheques listed by the Branches on the Walks Sheets are sorted at Head Office. Each "walks" clerk then takes the bundles of cheques drawn on offices in his area, and presents at the paying office. The items may be agreed, and paid for immediately, or they may be left for examination. In the latter case the "walks" clerk returns later in the day for a Bankers' Payment in Settlement. This Bankers' Payment is usually drawn on a Clearing Bank, and is cleared through the afternoon Town Clearing of the same day.

"Walks" include all items which cannot be cleared through any other Clearing channel, e.g.—

(a) Cheques on London offices of the Scottish and Irish Banks.

(b) Drafts issued by the Inland Revenue, Postmaster-General, Paymaster-General and Government Departments.

(c) Cheques on Offices of the Foreign and Colonial Banks in London.

(d) Postal Orders on General Post Office.

A curious aftermath of war-time conditions which persists up to the time of writing is a separate "local" clearing formed by a number of the non-clearing banks in London using facilities provided by the Bank of England. The original aim was to reduce the number of walks clerks tramping the streets of London during air raids to the danger of their lives and limbs. The experience so gained in this experiment may well influence future procedure in this field.

BRANCHES CLEARING

As mentioned above, the Banks Branch Clearing, i.e. cheques on themselves paid in at their own Branches and the Banks' own internal transfers, were, during the war, passed through the Central Clearing House. They represented 35-40 per cent of the total value of the Clearing passing through. As each

of the sections was transferred back to London these articles ceased to be included in the Clearing and were re-incorporated in the internal work of each Bank.

In a large Bank with many Branches there are bound to be many cross claims as between the Branches themselves. Obviously in normal times it is a waste of time to clear such items through the machinery of the Clearing House, for they need go no farther than the Head Office, where they can be re-sorted and sent to the paying Branches, the amounts being settled in exactly the same manner as for the other Clearings.

Whether they are parcelled in with the General Clearing, or whether they are parcelled separately, the amounts of all Branches' items are included in the total amount of the Out Clearing claimed by the Branch from the Head Office, and the Branch thus receives payment for them.

Conversely, it receives in its In Clearing, and pays, through the Head Office Account, for all the "Branches" items on itself forwarded by all other Branches of the Bank, through the machinery of the Branches' Clearing.

SCOTTISH AND IRISH CHEQUES

Cheques on the London Offices of the Scottish and Irish Banks are cleared through the Walks Department of Head Office and cheques addressed to Branches in Scotland and Ireland are cleared through the London Office of the Bank's Scottish or Irish Agent. In other words, all cheques on Scottish Branches are listed by a department at Head Office and handed to the London Branch of the Scottish Bank, with which it keeps an Agency Account, the Agency Account of the Scottish Bank being debited with the sum of the cheques handed over. The cheques are sent direct to the paying bankers by the Agency Bank, which receives payment for them through its usual machinery.

Similarly, cheques on Irish Branches are cleared through the London Office of the Bank's Irish Agent.

The actual collection of the proceeds or return of the item unpaid is often a lengthy business with some of the remote Branches, consequently anything from a week to fourteen days

must elapse before it can be taken for granted that such cheques are paid.

PROVINCIAL CLEARING HOUSES

Clearing Houses similar to the London Clearing House have been set up in many Provincial Centres, usually where there is a branch of the Bank of England. Cheques dealt with are only those drawn on Banks in the same town or surrounding districts, articles for collection on Banks in other parts of the country being forwarded to the London Clearing House, and cleared as explained above.

The local branch of the Bank of England is used to settle the net differences in these provincial clearings in exactly the same way that differences in the London Clearing House are settled through the Head Office of the Bank of England.

Clearing Houses are established in the following centres—

					<i>Total Cleared in 1947</i>
					£
Birmingham	.	.	.	.	169,375,000
Bradford	.	.	.	.	115,669,000
Bristol	.	.	.	.	41,898,000
Hull	.	.	.	.	58,731,000
Leeds	.	.	.	.	86,305,000
Leicester	.	.	.	.	68,139,000
Liverpool	.	.	.	.	338,747,000
Manchester	.	.	.	.	299,739,000
Newcastle-on-Tyne	.	.	.	.	115,902,000
Nottingham	.	.	.	.	34,750,000
Sheffield	.	.	.	.	70,971,000
Southampton	.	.	.	.	12,371,000

CHAPTER V

IN CLEARING

IN the last chapter it was shown how each Clearing Bank hands over to the Clearing House its *Out Clearing*, representing its claims on other Banks, and receives in exchange its *In Clearing*, representing the claims on itself by all other Clearing Banks.

No attempt is made at the Clearing House to sort the In Clearing into Branches. The In Clearer for each Bank simply lists the amounts of the items by machine, as received from the other Clearers, as rapidly as possible, so that the totals may be agreed, or approximated. Then the bundles of cheques are rushed to the Head Office, where the actual sorting into Branches takes place.

TOWN BRANCHES

As fast, then, as the Town cheques are sorted into Branches, they are hurried by messengers, or runners, to the respective Branches. There they are again listed on machines, the accuracy of the lists being checked by being called back with the individual items. The cheques and bills are then examined for "Returns" of any sort. The items to be paid are cancelled and passed on for listing in check ledgers, and posting to the respective accounts, the "Returns" being sent back to the Clearing House.

It will be appreciated that to get all this work done in the time available means a high degree of organization and efficiency at the Branch.

Town Branches receive their In Clearing in two distinct batches or "runs"; from the morning clearing, and from the afternoon clearing, although, as explained in the last chapter, the afternoon clearing is much smaller, consisting of cheques and bills of large amounts only. The total of the In Clearing for the day, as shown by the machine lists, is advised to the Head Office the same evening. There the figures are collated

from all the Town Branches, and the grand total should, of course, agree with the final total shown by the Banks' Town In Clearer at the Clearing House.

In addition to the items received from the Clearing House, Head Office also includes in the In Clearing it sends to each of the Branches the *Branches Clearing* cheques, which it has earlier extracted from all the Out Clearing bundles and re-sorted under the names of the drawee Branches.

GENERAL CLEARING

Other Branches receive their In Clearing by post from Head Office the following morning. The work may either be listed at Head Office before remitting, or at the Branch on receipt. Where the cheques have been straight listed in duplicate by machines at Head Office, one list is retained there, and the duplicate sent to the Branch wrapped round the cheques.

The first operation at the Branch is to check the lists with the individual items. Any errors in listing discovered are reported on special alteration slips, and the totals amended. If the figures on any particular cheque are so misleading that the wrong amount may also have been taken by the Out Clearing Bank, it is usual to forward the cheque with the correction slip, so that it may be inspected by the Head Office or the Clearing House officials. A little intelligent help in this way may save a considerable time in tracing through an error.

For convenience of checking totals the Clearing may be divided into several batches, and numbered, say 1 to 4, each bundle containing the cheques presented through the Banks which by convention are included in that numbered batch. Should any query arise at a later date the knowledge of the batch number involved narrows the field of inquiry considerably.

A further aid to tracking differences is provided by the growing practice of photographing automatically through a special machine all items running through the clearing. This was done in the old Central Clearing House but is now done at some of the Head Offices before the items are forwarded to

the Branches. When there is a query about the amount of any cheque, if the Branch can supply details of its place in the In Clearing then that particular negative spool which contains a record of the item can be developed and an actual picture of the queried cheque will be shown.

A summary sheet of the batch totals, as amended by the Branch, is included in the Branch Evening Letter to the Head Office. Any correction sheets are attached to this Advice Sheet.

Particulars of the cheques returned unpaid are entered on *Unpaid Slips*, and the amounts subtracted from the In Clearing total, or claimed from the Head Office through the Out Clearing, or through a *Returns A/c*. The unpaid cheques themselves are returned direct by post to the crossing banker.

EXAMINATION OF IN CLEARING

The work of examining the Clearing and cancelling the drawer's signature is usually assigned to one or more of the seniors or to certain of the cashiers. It must be thoroughly and conscientiously done. Any attempt to rush this stage may result in passing a grave irregularity or a "stopped" cheque, involving the Bank in serious loss. There are so many things to be observed, so many facts to be borne in mind, that the scrutiny can be done satisfactorily only if it is tackled systematically.

In addition to weeding out any cheques for which the drawers have insufficient funds available, the In Clearing is examined—

(i) To see that the cheques are regularly drawn; that the endorsement or endorsements, if required, are in accordance with mercantile practice; that cheques are not crossed to two Bankers for collection, in order that the Banker may give a valid discharge.

(ii) To take out and return any cheques, payment of which has been countermanded by the drawer.

(iii) To scrutinize the customers' signatures in order to ascertain whether they are genuine and signed in accordance with the mandates held at the Branch.

(ii) and (iii) are obviously of supreme importance and should not be overshadowed by the necessary examination enumerated in (i).

Some such system as the following is suggested for a thorough examination of the In Clearing—

1. First sort in ledger order, or in alphabetical order.
2. Rapidly look through the whole clearing for dates and crossings.
3. Look through a second time, reading the body of the cheque for discrepancies between words and figures, and turning over the cheques to see that, where an endorsement is required, it is there and in order.
4. Finally run through the Clearing a third time, concentrating on the name of the drawer, bearing the following questions in mind—

(a) Whether the signature is genuine and signed in accordance with mandates.

(b) Whether the customer has countermanded payment. All “Stops” registered within the last month should be memorized, and any cheque dated more than a month before should be referred to the “Stop” list. Thus “Stopped” cheques should be thrown out at the first scrutiny, but should certainly be turned out at the third.

(c) Whether the amount of the cheque is within the customer’s available balance.

The signatures are then effectively cancelled.

The scrutiny of the endorsements on the cheques is not to see if they are genuine, even assuming this were possible, but to see that they are correct in form, according to the usual mercantile practice. The reason for this seems to demand the following explanation.

A payment, in order to discharge a bill, must be made to the holder—the true holder. “Holder” is defined in the Bills of Exchange Act, 1882, as “the payee or endorsee of a bill or note who is in possession of it, or the bearer thereof.” And “Bearer” is defined as “the person in possession of a bill or note which is payable to bearer.”

Now where the signature of the payee or endorsee is forged,

the person on whose behalf the cheque is presented cannot be the true "holder" in that sense. It would obviously be impossible for a banker to make full inquiries into the bona fides of each holder, or into the genuineness of each endorsement. Fortunately he is relieved of this responsibility in respect of crossed cheques by Section 80 of the Act, so long as he observes the conditions imposed.

The Section runs—

Where the banker, on whom a crossed cheque is drawn, in good faith and without negligence pays it, if crossed generally, to a banker, and if crossed specially, to the banker to whom it is crossed, or his agent for collection being a banker, the banker paying the cheque, and, if the cheque has come into the hands of the payee, the drawer shall respectively be entitled to the same rights and be placed in the same position as if payment had been made to the true owner thereof.

Conditional Orders, such as orders to pay provided a receipt is signed, are not strictly speaking cheques, but they are brought within the protection afforded by this Section by virtue of the Revenue Act, 1883, Section 17. Dividend Warrants too, whether drawn in cheque form or not, are brought within the protection by Section 95 of the Bills of Exchange Act, 1882, and Bankers' Drafts also by virtue of the Bills of Exchange Act (1882) Amendment Act, 1932.

The conditions of the protection may be concisely tabulated—

1. The cheque must be crossed.
2. Payment must be made in good faith.
3. "Without negligence" on the part of the paying banker.

"Without negligence" is a somewhat elastic phrase and may refer to a number of sins, both of omission and of commission. A Banker passing any irregularity in the cheque itself or of the endorsement would certainly be negligent. But "without negligence" also infers that any attendant circumstances which should have put the Bank on inquiry must certainly not be passed over without question. An apparent attempt at an erasure on the cheque, for example, would call for a satisfactory explanation before the cheque was paid.

4. Payment must be made according to the crossing.

A cheque which is presented by a banker other than the banker to whom it is crossed, or which bears on its face

evidence that it has been passed through two Banks, one Bank not being the Clearing Agent of the other, should be returned with the answer "Crossed to two Bankers."

UNPAIDS

Where, as a result of the examination of the In Clearing, the Branch Banker decides to return a cheque unpaid, he must clearly mark it in the left-hand top corner with the reason for the refusal to pay. Such answer must be written in full: contractions are not now allowed by Clearing House Rules. It is very important that the answer given be in accordance with the actual facts. If the endorsement is irregular, then that is the answer which should appear on the cheque. The answer "Refer to Drawer" is not an all-inclusive phrase. Indeed it is even possible that a Banker might be held liable in damages, if he returns a cheque for a mere technical error with this answer, since the phrase is now so widely construed to mean that the drawer has insufficient funds on the account to meet the cheque.

Where the irregularity on the cheque is merely of a superficial character, for example, a slip in the year date when drawing the cheque, and the customer is within easy reach, it will often save much trouble, if he is given an opportunity to correct the mistake the same day, and thus save its return to the presenter. Again, when an endorsement is missing, a confirmation by the presenting banker that the cheque has been placed to the account of the named payee is usually accepted. Sometimes, where the words and figures differ, the collecting Banker attaches a slip to the cheque intimating that their customer claims the smaller amount only. It is usual then to pay this sum, whether the smaller amount be in words or figures on the cheque, but the particular circumstances of the case will guide the decision.

Full particulars of each item returned unpaid and the reason for non-payment are preserved in an *Unpays Book*.

In some Banks an item returned for want of funds is also entered in red ink "short" of the figures column in the account in the Ledger, so that the Manager may see at a glance whether a customer is a trouble in this respect. The red entry also

serves as a warning to the ledger keeper to note the balance carefully before posting a debit.

Before the unpaid cheques are actually sent out of the Branch, they should receive the official sanction of the Manager or his deputy. Particularly is this the case with "Refer to Drawer" unpaids. A cheque returned with this answer in error, when there are funds available to meet it, will undoubtedly put the Bank in an unenviable position, even if it does not make it liable for considerable damages.

An independent review of all the relevant facts and all the possible avenues of error is, therefore, a prime necessity.

As in many other important routine duties, the "fresh eye" here is invaluable. To be thorough and satisfactory, the check must follow some such routine as the following—

1. Make an independent examination of the Ledger Account and extension of the balance.

2. Inquire of cashiers whether a credit has been paid in at the counter. It may have been held up in the work somewhere, or posted in error to another ledger.

3. See if there are any other balances in the customer's name, Deposit or Home Safe.

4. See if there are any securities held, particularly bearer, against which the Manager may grant a temporary overdraft.

5. See if there are any securities being sold, requests for repayment of Defence Bonds, or National Savings Certificates being repaid, proceeds of which have not yet been received.

6. Look down the debit items in the Ledger with the actual vouchers, keeping a sharp look-out for a wrong post missed in the daily call.

7. Glance through the credit slips for the past month, to make sure that one has not been posted in error to an account of similar name.

8. Run through the Manager's Memoranda of interviews to ascertain whether the customer has asked for an advance, and, if so, the reply given.

This personal check in a smaller Branch may be carried out by the accountant, but in the larger offices he has far too many calls on his time to carry it out personally. An alternative scheme is to attach a questionnaire slip to the cheque

under review, and pass it to the Heads of the Departments for their attention.

For example—

UNPAID CHEQUE FOR REFERENCE

Customer: A. J. Smith. Amount: £10

Present Balance £2 4s.

Sanction, if any — NIL

Ledger Keeper A.B.

Referred to:

Deposit Ledger Keeper C.D.

Securities Department E.F.

Stock Exchange Department G.H.

Dividend Department I.J.

Income Tax Department K.L.

Foreign Department M.N.

Cashiers:	1.	2.	3.
	4.	5.	6.

Manager's Office:

Return Refer to Drawer

A. L. G.

If any department, to which the cheque is referred, knows any reason why it should not be returned unpaid, the accountant is informed immediately. Otherwise the slip is initialed by the head of each Department in turn. When it reaches the Manager's office, it will come under final review and definite decision.

CHAPTER VI

WASTE CLEARING DEPARTMENT

WE have seen in an earlier chapter how the Banks have built up an efficient system for dealing with the enormous number of credit documents now used as a medium of exchange. Speed and accuracy are the governing factors. As soon as the Banker receives money documents from his customer for collection, the clearing routine commences. His method of dealing with these documents in his books must necessarily be governed by the general Clearing System.

Twenty or thirty cheques may be entered on one credit slip and presented to the Banker for collection, including items drawn on Banks in any part of the United Kingdom. In addition, cheques, postal orders, Paymaster-General Warrants, bills of exchange, cash orders, and sundry other money documents, may all be jumbled in the one credit. In order to collect the proceeds for such a miscellaneous parcel, the items must first be analysed, then listed in the Branch Books, and agreed with the customer's total. Next the clearing or clearings must be prepared, parcelled and agreed. The procedure may be conveniently divided into two parts: first, the analysing and recording of the credits and attached debit items; secondly, the parcelling of the money documents into clearings.

IN WASTE BOOKS OR WASTE SHEETS

The credit slips and attached documents are passed to the Waste or Control Department direct from the cashiers, and an analysis and record is made in Waste Books or Waste Sheets, or in some mechanized systems, on Control Sheets. The older Waste Book was ruled vertically into a number of columns, the Cash Out or credit side having one or two columns, the Cash In or debit side having a number of columns, according to the degree of analysis desired. The book was used somewhat like a fully analysed Petty Cash Book. Each credit was taken in turn, the name and total of the credit slip entered on

one side, the debits split up into clearings, and entered in their respective columns on the other. The two sides, of course, balanced. The number of analysis columns was purely arbitrary, and depended mostly on the geographical position of the Branch.

Now loose sheets have superseded the bound books, over which they possess many advantages: Waste Sheets of previous days are always available for reference, and may be bound together later in the form of a book, while on a busy day Sheets may be distributed to any number of clerks, and the work entered as quickly as it comes into the Branch. Lastly, they score heavily from the point of view of cost.

Prior to the outbreak of World War II, that is, when the "T," "M," and "C" Clearings were in operation as well as a possible Local Clearing, it was usual for the debit items recorded on the Waste Sheets to be analysed as fully as possible, entailing in some cases as many as eleven columns, headed—

- Cash
- Bank Notes
- Town
- Metropolitan
- Walks
- Country
- Scottish and Irish
- Postal orders
- Locals
- C/A Debits
- General Ledger Debits

With the concentration of most of the clearing into the General Clearing it was possible to reduce the analysis columns considerably. Indeed, in certain mechanized systems where the Control Sheet takes the place of the handwritten Waste Sheet two columns only are used, debit and credit, and an example of this newer kind of Waste Sheet is shown on page 50.

It should be mentioned that a further analysis of the debits is made on Ledger Batch and Clearing Sheets at a later stage.

CONTROL

Date: 20th January, 1948

Operator: J. Smith.

SHEET No. 1.

CREDITS		DEBITS	
Amount	Description	Amount	Description
85. 2. 11	Smith, A.	19. 12. 9	Cash. 2
		5. 0. 0	W. Strand
		17. 5. 6	N.P. Blooms. Sq.
		3. 5. 0	Bc. Cav. Sq.
		4. 10. 0	M.O. 17633
		10. 0. 0	W. Blackpool
		16. 10. 2	Mid. Trowbridge
		8. 19. 6	Bc. Bath
			85. 2. 11
85. 2. 11			85. 2. 11
15 0 0	Robinson, T. W.		
	Dep. A/c Bk. 43	15. 0. 0	Cash 1
2. 4. 3	Smallman, S.		
	Home Safe A/c No. 76	2. 4. 3	Cash
10. 10. 0	Jones, M. A.		
	Exchange	10. 10. 0	Mid. Hackney
375. 15. 6	BODY, N. O.		
	Temple Bar Bch.	150. 0. 0	I.L. Lom. St.
		225. 15. 6	Cash
25. 5. 0	WILSON, J. J.		
		10. 5. 0	Inland Rev.
		15. 0. 0	A. Adams
4. 3. 10	ACME BLDG. SOC.		
	I.L. W. Norbury	4. 3. 10	Cash. 2
			432. 18. 7
518. 1. 6			518. 1. 6
256. 17. 6	CEMENT MFG. CO.		
		54. 15. 0	Cash 4
		10. 0. 0	Bank Notes
		60. 1. 2	Mns. Lom. St.
		2. 10. 0	Cu. Strand
		2. 2. 0	W. Lothbury
		3. 5. 0	Bc. Cav. Sq.
		5. 2. 6	C.B.Sc. Lom. St.
		68. 4. 6	Mns. Bootle
		3. 2. 6	W. Bromley
		21. 15. 10	M. Law Cts. Birm.
		1. 19. 11	Bc. Forest Hill
		2. 13. 0	B/E Hull
		4. 5. 0	R.B.S. Edin.
		5. 15. 0	U.B.S. Glas.
		3. 4	P.O. 519428
		5. 0	P.O. 734474
		7. 9	P.O. 829519
		10. 10. 0	Bc. Lullingford
			256. 17. 6
774. 19. 0			774. 19. 0
50. 0. 0	ROBINSON, G. J.		
		50. 0. 0	Dep. A/c Bk. 213
			50. 0. 0
824. 19. 0			824. 19. 0

(Sub-totals are shown in heavy type above)

Another example of a machined Waste Sheet recording the same items but analysed this time into four columns is shown on page 53.

DUTY OF WASTE OR CONTROL CLERK

For the smooth running of the routine work of the office it is important that the items received into the Branch by the Cashiers or from the Head Office shall be dealt with as efficiently and as expeditiously as possible. The method of dealing with the In Clearing has already been discussed; but other items received into the Branch by the cashiers must be passed on to the Waste or Control Department for entry before they can be dealt with by the Ledger Statements or Remittance Clerks. Any delay at this stage will hold up the rest of the office.

So the credits are collected from the cashiers at frequent intervals during the day and recorded by the Waste or Control Clerks. As each credit is dealt with a clerk recording by pen and ink can run his eye across his analysis and cross cast the debit items and agree the total with that shown on the credit slip. Any discrepancy should be traced at once. Where the analysis is made by machine it is usual to take out frequent sub-totals for the same purpose. Should the error be in the credit slip made out by the customer, the cashier, if he records all credit totals in his book, should be informed immediately so that he may make the necessary alteration in his Day Book. Steps must also be taken to advise the customer of the alteration, a senior official checking and initialing the amendment before this is done.

Instead of entering the Bank and Branch of the drawee Bank, or a contracted form thereof, some Branches use the national numbers for purposes of the record. Where contractions are used, in the interests of speed, care must be exercised that this is not carried too far so that it leads to doubtful identification. Often the name of the drawer is recorded also where the item is of an "even" amount. By this means a "return" can be identified although several cheques for the same amount have passed through the Clearing in one day on the same Bank and Branch.

After the credit has been entered and agreed, a record can be made on it of the amounts included for cheques and items to be cleared, so that ledger keepers may make allowances when computing interest charges of uncleared items. This can conveniently be done by means of a rubber stamp impression on the back of the credit slip. The credit slip is then filed, and the debit items are placed in tins or racks marked so as to correspond with the columns on the Waste Sheets. "House" debits and Cash Book items are also filed; the course of these filed items is described later.

AGREEMENT OF WASTE TOTALS WITH CASHIERS' DAY BOOKS

When all the work is entered, the columns of the Waste Sheets are cast vertically, and the final totals at the bottom agreed across; the sum of the debit totals equalling the sum of the credit totals. The amounts representing the total Cash and Bank Notes received are agreed with the sums shown in the Cashiers' Day Books, and this agreement is made as soon as possible after the Bank is closed to the public. The Cashier's Book has necessarily been written up hurriedly and at odd times, and any error in copying the money totals or omission of a credit altogether will throw his Till Balance wrong. The Waste Sheet total is a check on his work; it will instantly disclose any such error and may save the Cashier many anxious moments in agreeing his money.

If the Cashier also records the totals of credits as well as money items, the outside credit columns are also agreed with his Book. Where there are several cashiers, the work of each is entered on separate Waste Sheets to facilitate this agreement, in which case the totals of the separate sheets are brought to one sheet and summarized.

The Branch thus preserves a record, in analysis form, of all the work coming into the Branch. There remains to describe only how the various items are dealt with and how the Clearing parcels are prepared. It will be convenient at this stage to refer to the specimen Waste Books or Control shown inset to illustrate this part of the work. The number of credits recorded are certainly few, even for a small Branch,

Date.....20.1.48.....
 Cashier.....L. Poynder.....
 WASTE
 Machined by D. Laywood.....

Ledger Credit	Account	H.O. or D.A.	Remittances Debit	Locals	Ledger Debit	H.O. or D.A.	Cash	
85	2 11 Smith, A.		5 3 6	M				
			17 3 5					
			3 4 10	W				
			4 10	C				
			10 16 10 2					
			8 19 6				19 12 9*	
15							15 4 3*	
2	Robinson, T. W.	D/A						
4 3	Smallman, S.	H/S	10 10 *	M				
10 10	Jones, M. A. (Ex)		10 10	T				
375 15 6	Tenn. Bar Beh. Body N.O.	B/A	150 5	W	15		225 15 6*	Adams, A.
23 3	Wilson, J. J.		10 5	T				
4 3 10	L. W. Norwood. Acme Bld. Soc.	B/A	60 1 2				4 3 10*	
256 17 6	Cement Mfg. Co.		2 2 10	M				
			3 5 6	W				
			5 2 2 6	C				
			68 4 6 6					
			3 2 10					
			21 15 10					
			1 19 11					
			2 13					
			4 5	S				
			5 15	10 10	10		3 4	Browne, E.
50	Robinson, G. J.						5 5 9*	
							54 15	
824 19			417 1 7	10 10	75		322 7 5*	

but they are fairly representative, and are sufficient for our purpose.

DESTINATION OF FILED ITEMS

Tracing first the destination of the "House" items, debits and credits, it will be found that Current Accounts credits and debits are passed forward to the ledger keepers. They may first be written up into Check Ledgers or recorded on Debit Batch Sheets and Credit Batch Sheets. In the latter case they may be further analysed into ledgers and the ledger batches then serve the same purpose as the Check Ledgers.

The other house credits and debits are dealt with as follows—

Deposit and Home Safe items are passed forward to the clerk posting these ledgers.

Exchange Slips, if any, are filed for future reference.

Credits for another Branch are taken by the "Advice" Clerk, who forwards the amount by *Branch Credit Payment*. This payment advises the receipt of the credit, and allows the advised Branch to claim the sum through the ordinary Clearing channels.

Credits for another Bank are similarly dealt with, the amount being advised direct to the Bank by an *Agency Advice Note*, and the sum claimed through the machinery of the Agency Accounts at the respective Head Offices (each of which is notified by its Branch of the amount and nature of the transaction).

PREPARATION OF THE CLEARINGS

The Branch has recorded on the Credit side of its Waste Book credits totalling £824 19s., this representing a liability for which it must recoup itself. £10 10s. has already been paid over in respect of an exchanged item; the rest is due to its customers or other Banks and Branches. Part of this amount is represented by actual cash—£321 11s. 4d. and £10 Bank Notes. This sum has been added to the Cashiers' Tills, and therefore to the Branch Cash Balance, available to meet immediate demands. The remainder of the sum must be collected by claiming on the drawees of the negotiable

documents; the amount of the house debits being claimed from the accounts in the Branch.

From the study of the previous chapter we observe that the items representing claims on other sources outside the Branch can be collected in the following ways—

Group (A)

Claims on Clearing Banks	Through the London Clearing House via the Head Office
----------------------------------	---

Group (B)

Claims on Non-Clearing Banks "Walks"	} Through the Head Office
Claims on the Bank's own Branches .	
Claims on Scottish and Irish Banks not in London	

Group (C)

Claims on Local Banks	Through the Local or Provincial Clearing
---------------------------------	--

Group (D)

Postal Orders	Through the Local Post Office
-------------------------	-------------------------------

Groups (A) and (B) are parcelled and sent to the Head Office, and represent the Branch *Out Clearing*. Groups (C) and (D) are cleared by the Branch itself.

THE OUT CLEARING

In the last chapter it was seen that all items sent to the Head Office for clearing must be sorted, listed, and parcelled by the remitting Branch. The cheques are taken from the tins into which they have been placed by the Waste Clerks and further analysed into Clearing Banks, listed, and summarized.

In a small Branch, these lists are made out in ink, but in the larger Branches it is convenient to machine them on a straight listing adding machine. Parcelling the Clearings may proceed concurrently with the recording on the Waste Sheets, or it may be reserved until all the work is through. In some machine accountancy systems the preparation of the Out Clearing proceeds as an integral part of the agreement of each batch of work.

On the Summary Sheet of the Out Clearing a record is

made of the number of items on each list. Our Summary Sheet for the General Out Clearing will be as shown below—

OUT GENERAL CLEARING

SUMMARY

From LULLINGFORD Branch

Date 20th Jan. 1948

No. of Articles		£	s.	d.
1	Bank of England (Drawing Office and Branches)	2	13	0
4	Barclays	17	9	5
1	Coutts	2	10	0
	District			
	Glyn, Mills			
1	Lloyds	150	0	0
2	Martins	128	5	8
3	Midland	48	16	0
	National			
1	National Provincial	17	5	6
	Williams Deacon's			
13	TOTAL	366	19	7

BRANCHES CLEARING

Claims on the Bank's own Branches are gathered into one total and the items and the list forwarded to the Head Office as a separate parcel or added to the General Clearing as a sub-total. In our example there are four items totalling £20 4s. 6d.

The *Walks* items are also sorted and listed in parcels. The division in this Clearing is determined by the class of item included, and not by the place on which it is drawn. This is merely a domestic arrangement for convenience of handling by the Head Office Walks Department.

For example they may be listed in four parcels—

1. Money orders.
2. Paymaster-General Warrants.
3. London Offices of Scottish and Irish Banks.
4. Other Items.

Again these lists are brought to one Summary Sheet. Our Walks Summary will appear as at top of next page.

WALKS SUMMARY
WALKS

	£	s.	d.
<i>M.O. 17633</i>	4	10	0
<i>Inland Revenue</i>	10	5	0
<i>C.B.Sc., Lomb. St.</i>	5	2	6
	£19	17	6

The last Clearing to complete the *Branch "Remittance"* is the parcel of *Scottish and Irish* drafts. This list embraces all Scottish and Irish Branches and also Branch Banks in the Channel Islands and Isle of Man, thus—

SCOTTISH AND IRISH DRAFTS, ETC., SENT FOR
COLLECTION

(To include drafts, etc., payable in Scotland, Ireland, the Channel Islands, and the Isle of Man)

From LULLINGFORD Branch

Date 20th Jan., 1948 ...

Name of Bank	Place where Payable and if Bills, when Due	Amount		
		£	s.	d.
<i>Royal Bk., Scot.</i>	<i>Edinburgh</i>	4	5	0
<i>Union Bk., Scot.</i>	<i>Glasgow</i>	5	15	0
State here number of items in this list 2		£10	0	0

OUT CLEARING SUMMARY SHEET

All the "Clearing" totals shown above are now brought to one grand total on a *Cash Remittance Summary Sheet*. An example is shown—

EVENING CASH REMITTANCE

No. of Articles	Summary	£	s.	d.
13	<i>General Clearing</i>	366	19	7
4	<i>Branches Clearing</i>	20	4	6
3	<i>Walks Clearing</i>	19	17	6
2	<i>Scottish and Irish Collection</i>	10	0	0
<u>22</u>		£417	1	7

This is the total of the Out Clearing for the day. It shows the amount as well as the number of articles which the Branch is forwarding to the Head Office, and for which it requires payment through the Head Office Account.

Now the Branch is no longer concerned in the clearing of these items. Should any of them be refused payment, then the sum must be reclaimed from the Branch.

EXAMINATION OF OUT CLEARINGS

Before the Clearings are actually forwarded the cheques are carefully examined by a senior clerk. He must see—

1. That all the drafts as specified are in each parcel.
2. That all items bear the Branch crossing stamp, and that the latter is legible in every case.
3. If any irregularity exists in the item itself.

The importance of a thorough check at this stage must be emphasized. If carefully done, it reduces the number of "Returns" and saves considerable trouble to both banker and customer. A cheque without the collecting banker's stamp is without the evidence of its origin, so that if the drawee banker wishes to return it unpaid, he has no means of telling through which Bank or Branch it was presented, and an enormous amount of trouble and expense is incurred in discovering this simple fact.

Again, although the cheques may have been examined once by the cashier, it is very easy in a rush period to overlook some slight irregularity such, for example, as a faulty endorsement. The second examination should reveal the irregularity and a confirmation by the Banker may save its return. If the irregularity is of such a nature that it can be dealt with only by the customer himself, the offending item is taken out of the work and returned to the customer with a covering letter explaining how the cheque can be put in order.

LOCAL OR PROVINCIAL CLEARINGS

Cheques on Banks within the local clearing are entered in the *Local Exchanges Book*. There the In and Out Clearings for each Bank are recorded and a balance struck. The exchange

of the local claims may not take place until the next day. Overnight, the total of local cheques held by the Branch is often regarded, for balance purposes, as actual cash and added to the cash balance of the Tills; or a special account is opened in the General Ledger which is debited overnight for the sum of the "locals" held in suspense and credited in the morning when the charges are liquidated.

Where local clearing cheques are so held overnight it is a matter of routine that they shall be so guarded as is the Branch cash and subject to the same surveillance until actually exchanged in the morning.

POSTAL ORDERS

Similarly, articles for encashment at the local post office, such as postal orders and possibly money orders, are listed on the special forms provided and presented for payment the next morning. For balance purposes the total of such claims is treated in the same way as that of the Local Out Clearing. The position of the Branch may now be summarized as follows—

TOTAL CREDITS AND EXCHANGES WHICH THE BRANCH HAS PAID, OR IS LIABLE TO REPAY ON DEMAND

	£	s.	d.
Credits for other Banks and Branches	407	13	7
Exchanged items			
Current Accounts			
	417	5	5
	<u>£824 19 0</u>		

DEBIT ITEMS HELD IN RESPECT OF THESE CREDITS AND HOW LIQUIDATED

	£	s.	d.
Cash	321	11	4
Bank Notes	10	0	0
Total Out Clearing claimed from Head Office.	417	1	7
Postal Orders claimed from Post Office		16	1
"Locals" claimed through Local Clearing		10	10
"House" debits cleared through Branch Books		65	0
	<u>£824 19 0</u>		

ARTICLES CLEARED DIRECT

In exceptional cases, where a customer wishes to know the "fate" of a cheque at the earliest possible moment, the collecting banker may send the article direct to the drawee Banker for payment, instead of remitting through the usual Clearings.

If a Bank is within easy reach, the draft can be presented for payment by messenger, but if drawn on a Bank outside the district, the article must be sent by post to the nearest Branch with a request that it be presented for payment direct to the drawee Bank without delay. The enclosing letter may also contain a request for the "fate" of the cheque to be advised by telephone, telegraph or postcard, according to the urgency of the case. When paid, settlement is effected between the Banks through the usual clearing channels.

In the event of there being no Branch of the same Bank in the district, the article is sent by post direct to the drawee Bank with a polite request that, if paid, the proceeds be remitted through the Agency Accounts at the respective Head Office, or by a Bankers' Payment. Advice of the fate of the cheque may be arranged at the same time.

Such a method of clearing a cheque, while it may save a day or two over the more usual clearing channels, is relatively expensive and takes up time and consideration which could not possibly be spared for every item passing through the work. Consequently Bankers do not encourage the practice, and in some cases a special charge is made for the service.

Articles on "Town" Branches cannot be presented direct but must take their course through the ordinary Town Clearings.

BILLS OF EXCHANGE AND PROMISSORY NOTES

When the Banker is dealing with bills of exchange, as distinct from cheques, certain special considerations have to be borne in mind. He may be asked to present for acceptance or present for payment. Since he is then, as a rule, acting as the agent of his customer, he must be careful to fulfil all the duties necessary to protect the holder's rights. Where the Banker is himself the holder, on discounted bills, for instance, the need for such care is patent. In particular he must observe all the statutory

rules given in the Bills of Exchange Act, 1882, and Amending Acts.

In the days of the old "T," "M," and "C" Clearings it was not possible to present a bill through the "C" Clearing as that was a cheque clearing only. Now it is permissible to present bills through both the Town and the General Clearings but only if they are "clean" bills, that is, with no documents attached. If documents are attached to the bill it must be presented direct by messenger or through the local branch or agent.

Some care must be exercised in calculating the "due date" of the bill in accordance with the rules given in the Act and it is general practice to place the Branch crossing stamp on the back of the bill, and not on the face, before remitting.

Since promissory notes do not need acceptance all the procedure and problems connected therewith do not apply. They may however, be domiciled payable at a Bank and dealt with in a similar manner to bills of exchange.

CHAPTER VII

CURRENT ACCOUNT LEDGERS

SINCE the distinguishing feature of a Banker is that he shall be willing to keep Accounts Current with his customers, the books in which these transactions are recorded must necessarily take an important place in the routine of a Branch. The Ledger Department, or, to use the title by which it is universally known, "Ledgers" is the heart of a Branch, and in a sense governs the work of the whole Bank. These ledgers record the exact day-to-day position as between Banker and each of his customers.

Such records must be—

- (a) Accurate.
- (b) Up to date to the minute.
- (c) Clear and legible.
- (d) Readily found.

REQUIREMENTS OF A LEDGER KEEPER

Under the manual system, which has governed staff considerations for so long, a bank clerk, in the course of his career, was sure to spend some time in "Ledgers." It cannot be said with truth that he always looked forward with pleasure, or back with regret, on his sojourn there. The department, justly or unjustly, has earned a reputation for monotony: a suspicion of the daily grind. This may or may not be true, but it has been the opinion of English Bankers, at least, that no bank clerk has completed his education until he has passed through the discipline of "Ledgers."

The ideal ledger keeper is neat, accurate, quick, and observant. He must be able to post entries at a fair speed, and at the same time his writing must be clearly readable. Accuracy is a *sine qua non*. Inaccurate extensions of account balances not only give immense trouble in the Branch but also may lead to expensive litigation.

The observant man is given full scope, for the whole history of the account is daily before his eyes. Having the opportunity of knowing more about the Branch customers than the Manager himself, he soon learns what to expect on each account, the source and regularity of credits, the periodic payments and usual payees of cheques. The slightest irregularity in the working of an account should not escape his vigilance, and a good ledger keeper will keep his manager informed on any point which he thinks merits attention. For example, a customer may be granted facilities for cashing his cheques at another Branch, but his balance may be running so dangerously low as to warrant the question whether the facility should be curtailed.

Again, the ledger keeper must keep an eye on the balance available for the payment of debits; sanctioned limits of overdrafts must not be exceeded; signing instructions and special notices must be observed. Finally, he must keep a sharp look-out for "cross-firing"—the last ditch of an impecunious customer.

For the purposes of description, the pen-posting system is treated at some length in the following pages, and the special considerations brought about by machine-posting methods are briefly discussed at the end of the chapter.

SIZE OF LEDGERS AND DISPOSITION OF ACCOUNTS

It has been mentioned that every account must be readily available for inspection. This entails a definite order in the accounts themselves, and ledgers of manageable proportions. The number of ledgers and the number of accounts in each is governed by the total number of current accounts and by the amount of work passing through each. Too many ledgers mean too much man-handling; ledgers too bulky mean too much physical effort: experience soon establishes an equilibrium between these two opposing considerations.

Sorting the accounts sometimes gives rise to a few problems. The following is one solution—

(a) Ordinary customers' accounts first in alphabetical order, but accounts with the same initial letter in the following order—

Limited Companies.

Unlimited Companies.

Partnerships.

Executors, Administrators, Trusts, etc.

Joint Accounts.

Private Accounts.

Customers of same surname are kept in alphabetical order of initials of forenames.

Accounts beginning with "Mac" or "Mc" are all regarded for sorting purposes as "Mac."

(b) Staff Accounts.

(c) "Short Accounts," i.e. items which do not merit the drawing up of a full account folio.

BOUND BOOKS v. LOOSE-LEAF LEDGERS

Except that the legal world at one time had some doubt about the legality of loose-leaf ledgers, there does not seem to be any overwhelming advantage in favour of the old bound book ledger to set against the undoubted advantages registered by the loose-leaf principle. Some of these advantages may be set out as follows, taking no account of the special adaptability of loose-leaf ledgers for machine posting—

1. Accounts are always in order.
2. No Index is required.
3. An account is never spread out over several parts of the ledger.
4. No "dead" records are retained.
5. Heavy expense of binding is avoided; the initial cost of covers or containers and periodical refills being the only expenses incurred.
6. Space is saved for preserving old records.

These advantages apply with equal force to card ledgers.

Only one serious drawback has ever been brought against the use of loose leaf ledgers; the ease with which sheets may be abstracted and other sheets fraudulently substituted necessitating special safeguards and checks.

HEADING ACCOUNTS

Some Branches head accounts with all possible information, by which means a complete guide to the account may be gained by a glance at the Ledger Account. Others, and they include most Branches using machine posting methods, head the ledger page or card with the bare particulars of the account. All other information is relegated to a card index.

Certain well-known contractions are sometimes used, for example, "N/O" for No Overdraft; "1 ab. B.R./4," for interest at the rate of 1 per cent above Bank Rate with a minimum of 4 per cent; "Advise," for "Advise all credits." Copper-plate titles are not absolutely necessary, but the name must stand out boldly and give no excuse for confusion of similar names. In some ledgers the method of signing is indicated by heading of the name, e.g. John E. Jones. In others, all accounts are headed in a conventional manner, and a note added giving particulars of mode of signing.

Very special warning notices, which the ledger keeper must bear constantly in mind, are frequently printed in large type on a separate sheet and posted in the page or held in the account by elastic strings. Since the notice must then be moved in order to post an item in the account, the instruction is more likely to be noted and carried out. In particular, instructions from a customer to stop payment of a cheque can be displayed in the account in this way, by a vivid red "Stop" warning notice.

RULINGS

The rulings of the Current Account Ledger differ a little in each Bank, but the variation is mainly in the extra columns allotted for statistical purposes. The first form on page 67 shows the ruling and heading in its simplest form, and the second gives an example with a number of statistical columns. The explanations at the head of the columns indicate the purpose of each. The use of the statistical columns 9 and 10 is explained later.

ROUTINE OF WORK

A brief description of the routine work of a ledger clerk may conveniently be started from the moment when he is ready to

deal with the In Clearing. Except in Town Branches, where it is received in several batches during the day, this is tackled in one big batch, some time in the morning. The work of examining and cancelling the "In Clearing" has been described, and when the ledger keeper receives it for posting, all this preliminary work has been done. The ledger keeper rapidly sorts the cheques into order of accounts, if they are not already in alphabetical order, and posts to the debit of the individual customers. As each account is dealt with, a tab or strap is pulled up to project over the top of the page, to indicate which accounts have been worked during the day. When the posting is complete, the cheques are perforated with the date and are ready for the Pass Book or Statement Clerks.

House items, or "Second runs," are dealt with throughout the afternoon. They consist of credits received and cheques paid at the counter, and also items received by post or through the Local Clearing, and reach the ledger keeper as a mixture of credit and debit slips, he sorting and posting them to the accounts in the same way as the "In Clearing." Each credit slip is entered as one total, unless the customer requires full particulars of each item, when a note will be found to this effect in the ledger or on the slip itself. The amount of the "uncleared" items, noted on the credit slip by the Waste Clerk, will be entered in the appropriate column at the time of posting. This record is useful when assessing the charge, if any, at the end of the period for keeping the account. When posted, the Second Run is perforated with the date, and also passed on to the Statement Clerks.

When a debit item in the second run exceeds the amount of the available balance, the attention of the Manager or his deputy should be drawn to the fact. Before reporting it, however, the ledger keeper should satisfy himself that no credit has been paid in to meet the item; that no securities are being sold, or no coupons due; that there are no "contra" balances. He is then in a position to answer any query with reference to the account.

Where the cheque has been paid over the counter there is, of course, no choice but to allow the customer a temporary overdraft; but the Manager may decide to send a notice of

O/L. 476
Opened
27/6/48

Advise Credits from Lloyds Bank, Dunster

**Retail Tobacconist
28 ST. JOHN'S ROAD
LULLINGFORD**

JONES, ALFRED ERNEST

Signs A. Jones

Sig. No. 236

	£	s.	d.	£	s.	d.
1946						
Jan. I Balance	.	.	4	45	3	4

RULING OF A CURRENT ACCOUNTS LEDGER SHOWING STATISTICAL COLUMNS

1	2	3	4	5	6	7	8	9	10
Date	Particulars of Debits and Credits	<i>Dr.</i>	<i>Cr.</i>	Initials	Balance	Number of Days	Uncleared Numerals	<i>Dr.</i>	Numerals <i>Cr.</i>

	£	s. d.	£	s. d.
1890	10	0	10	0
1891	10	0	10	0
1892	10	0	10	0
1893	10	0	10	0
1894	10	0	10	0
1895	10	0	10	0
1896	10	0	10	0
1897	10	0	10	0
1898	10	0	10	0
1899	10	0	10	0
1900	10	0	10	0
1901	10	0	10	0
1902	10	0	10	0
1903	10	0	10	0
1904	10	0	10	0
1905	10	0	10	0
1906	10	0	10	0
1907	10	0	10	0
1908	10	0	10	0
1909	10	0	10	0
1910	10	0	10	0
1911	10	0	10	0
1912	10	0	10	0
1913	10	0	10	0
1914	10	0	10	0
1915	10	0	10	0
1916	10	0	10	0
1917	10	0	10	0
1918	10	0	10	0
1919	10	0	10	0
1920	10	0	10	0
1921	10	0	10	0
1922	10	0	10	0
1923	10	0	10	0
1924	10	0	10	0
1925	10	0	10	0
1926	10	0	10	0
1927	10	0	10	0
1928	10	0	10	0
1929	10	0	10	0
1930	10	0	10	0
1931	10	0	10	0
1932	10	0	10	0
1933	10	0	10	0
1934	10	0	10	0
1935	10	0	10	0
1936	10	0	10	0
1937	10	0	10	0
1938	10	0	10	0
1939	10	0	10	0
1940	10	0	10	0
1941	10	0	10	0
1942	10	0	10	0
1943	10	0	10	0
1944	10	0	10	0
1945	10	0	10	0
1946	10	0	10	0
1947	10	0	10	0
1948	10	0	10	0
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1961	10	0	10	0
1962	10	0	10	0
1963	10	0	10	0
1964	10	0	10	0
1965	10	0	10	0
1966	10	0	10	0
1967	10	0	10	0
1968	10	0	10	0
1969	10	0	10	0
1970	10	0	10	0
1971	10	0	10	0
1972	10	0	10	0
1973	10	0	10	0
1974	10	0	10	0
1975	10	0	10	0

Items to be taken into consideration	Debit balances multiplied by days	Credit balances multiplied by days
1. Accounts receivable	100,000	100,000
2. Inventory	100,000	100,000
3. Prepaid expenses	100,000	100,000
4. Other assets	100,000	100,000
5. Accounts payable	100,000	100,000
6. Accrued liabilities	100,000	100,000
7. Other liabilities	100,000	100,000
8. Equity	100,000	100,000
9. Total	1,000,000	1,000,000

Items to be taken into consideration when assessing the "Free Cleared" Balance, or in calculating decimals

overdraft, informing the customer of the state of his account. When, however, the item has been paid in by another customer on a credit slip, or is received through the local clearing, the Manager can exercise his discretion whether to pay or not. Before he finally decides to return the cheque unpaid, he usually requires an independent review of the whole matter by a responsible official on the lines suggested for dealing with unpaids in the In Clearing.

Under no pretext may a ledger keeper rectify an error in posting by an erasure. The offending entry must be neatly ruled through. When a wrong amount has been entered, the amended figures can be placed underneath, or if the item has been posted to the wrong account, the folio number where it is correctly posted should be placed in the margin. The alteration or amendment is checked and initialed by a senior, when he is calling back the day's work with Check Ledgers.

EXTENDING LEDGER BALANCES

Current Account balances are extended daily. Where the ledgers are machine posted the new balances are shown automatically at the time of posting. In some manual systems this also is done as the items are posted; a practice objected to by some Bankers on the grounds that it leads to a number of fictitious daily balances which may be somewhat misleading when estimating the true average daily balance. In other Branches balances are extended after the work of posting is finished or the first thing the next morning. The new balances are checked by making a short cast in pencil of the debit and credit columns. The usual routine is to extend the balance by "Dutch" extension.

"Dutch" extension may be explained simply by an example—

Suppose amounts (omitting particulars for the sake of clarity) are posted to an account as follows—

Date	Debits			Credits			Balance		
				£	s.	d.	£	s.	d.
Jan. 1. Balance carried forward	.	.	.	59	4	9	59	4	9
	£	s.	d.						
	4	3	2		1	13	6		
	16	14	4	45	3	2			
	5	0	0	8	4	4			

To extend the balance each line of figures, debits and credits, is dealt with separately; pence first, shillings next, then units of pounds and so on.

In the example the cast of *Dr.* pence equals 6d., the *Cr.* 12d.; subtracting 6 from 12, equals 6. 6 then must be added to the old balance in the pence column, i.e.

$$- 6 \text{ (Dr.)} + 12 \text{ (Cr.)} = + 6 + (\text{old balance}) 9 = 3\text{d.}, \\ \text{and carry 1s.}$$

Deal next with the shillings. Deducting 17 in debits from 20 in credits equals 3s. to be added to old balance (plus 1s. carried from the pence) i.e.

$$- 17 + 20 = + 3 + (\text{old balance}) 4 + 1 \text{ from pence} = 8\text{s.}$$

Units of pounds next:

$$- 15 + 14 = - 1 + (\text{old balance}) 9 = 8$$

Then tens of pounds:

$$- 1 + 4 = + 3 + (\text{old balance}) 5 = 8$$

$$\text{Final balance} = \text{£}88 \text{ 8s. 3d.}$$

Now to check this extension. Pencil cast of debits = £25 17s. 6d., added to balance £88 8s. 3d. equals pencil cast of credits £114 5s. 9d.

When stated in full on paper, extending balances by this means appears a long and complicated business. In practice the expert ledger keeper can extend a balance almost as quickly as he can write the figures.

CURRENT ACCOUNTS—OVERDRAFTS BOOK

As the accounts are extended, debtor balances are shown in red ink or placed in a separate column. All *Dr.* balances may also be recorded in a *Current Accounts Overdrafts Book*, sometimes called the *Overdrafts Extracts Book*. Such a book can be inspected daily by the Manager, thus enabling him to keep an eye on all doubtful accounts, or on customers approaching perilously near their overdraft sanction limits. Cashiers, too, find this record useful for memorizing shaky accounts.

DECIMAL OR PRODUCTS COLUMNS

The calculation of interest on Current Account balances is made by means of "decimals." More accurately these figures should be known as "products," and in book ledgers they are usually extended in statistics columns in the ledger itself as in the example shown, columns 10 and 11. Each balance is multiplied by the number of days it remains unaltered, and the result put in the respective *Dr.* or *Cr.* Numerals column. The same thing is repeated for each succeeding balance, until the end of the period under review. Then the "Days" column is cast and should agree with the period selected, showing that the full number of days have been allowed for. The numerals column is then cast. The resulting total, if calculated at one day's interest, gives the same figure as if interest were worked out for the balance each day, and the resulting amounts cast at the end of the period.

An example will make this clear—

Date	<i>Dr.</i>	<i>Cr.</i>	Balance <i>Dr.</i>	Days	Products
	£	£	£		£
1st Jan. c/f	100		100	5	500
5th Jan.	100		200	41	8,200
15th Feb.		50	150	23	3,450
10th March	100		250	21	5,250
				<u>90</u>	<u>£17,400</u>

If the selected period is from 1st January to 31st March, then at the end of March the columns are cast. The days column agrees with the number of days in the first quarter. The interest on the final products figure of £17,400 can be readily ascertained from published interest tables. At $4\frac{1}{2}$ per cent for one day it is found to be £2 2s. 11d.

If the actual interest earned by each balance had been worked out, e.g. £100 for 5 days at $4\frac{1}{2}$ per cent and so on, the final figure would have been exactly the same, since 100 for 5 days may be expressed as 500 for one day and so on.

It will be noticed that the number of days from the 1st to the 5th January is stated as 5; this is to allow for the balance

carried over from the 31st December. Adjustments are made for uncleared items recorded in column 8, as well as for any expenses not specially charged. Some Branches decimalize all balances to ascertain whether accounts are remunerative. The figures obtained are checked against an arbitrary figure, which represents the minimum balance necessary to remunerate the Bank for its services on the account. Other Branches work out decimals only for those accounts on which interest is to be charged.

CHECK DECIMAL SHEETS

In accordance with the invariable rule of all Banks, that all work, sooner or later, must be subject to an independent check, the decimals described above are worked out again by another clerk, usually a cashier. This second calculation may be merely an agreement of the figures as originally worked out in the ledger folio, but perhaps a more thorough check can be made when the decimals are again worked out in full on *Decimal Check Sheets*.

RETURN OF BALANCES TO HEAD OFFICE

A record of all balances in the General Ledger is made periodically to Head Office, showing *inter alia* the net balance outstanding on the Current Accounts. At certain fixed intervals, too, a return may be called for of all advances to customers whether by way of loan or overdraft. At such times a detailed list is required showing the names of all customers granted accommodation during the period under review, detail of sanction, if any, the net amount outstanding, and the highest daily advance for each account since the last return including details as to the value of the security held, if any, and any other relevant information. By means of this Return Head Office is kept cognizant of all the material facts about the branches and their work, and is enabled to keep an adequate supervision of the work of the Bank as a whole.

LEDGERS UNDER MACHINE ACCOUNTANCY

Although there are machines which will print into bound books, they are expensive and somewhat cumbersome. The

accountancy machines in general use in Banks print on to loose sheets or cards. They are securely locked away in steel containers when not in use, and a senior official is appointed to take charge of the keys, and to keep all spare sheets under his personal supervision. In this way the possible fraudulent substitution of a sheet is guarded against.

EXAMPLE OF LEDGER CARD POSTED BY MACHINE

Smith, John

PICK-UP	DATE	DESCRIPTION	DEBIT	CREDIT	BALANCE
745 15. 8	2 AUG 48			745 15. 8	745. 15. 8
	17 AUG 48	JAMESON	44 16 8		
		CHEQUE BOOK	1. 0. 0		
		MARSHALL & SIMPSON	15 15. 9		
		CASH		52. 16 9	
817. 3. 6		SUNDRIES		80. 3. 6	817. 3. 6
	18 AUG 48	FOSTER & CO.	144. 7 0		
		HARRISON	6 16 0		
		BAKER	16 4		
		TILLINGTON & SON	243 17 9		
		CASH		40 3. 7	
112. 13. 3 -		CHEQUES		25 16 9	112. 13. 3 OD
	23 AUG 48	MARTIN & EDWARDS	20 0 8		
		DAVIS	330 0 6		
		GARTON & JONES	15 0		
339 11. 8 -		CHEQUES		123. 17. 9	339. 11. 1 OD
	25 AUG 48	BARKER	1. 12 8		
		CHISNALL	5 5. 0		
		PEARSON	4. 12. 6		
		JACKSON	12 17 9		
		SUNDRIES		23 16 9	
		CHEQUES		548 16 9	208 13 11

Balances marked *OD* in the last column are printed in red.

Ledger cards are found by some Banks to possess some advantages over sheets. They are just stout enough to stand upright in a filing drawer and all that is necessary to secure them for the night is to place the drawer in a steel cabinet and press a stud of a special locking device of which a senior holds the key. The same careful supervision is required with spare cards as with the surplus ledger sheets.

In theory no writing of any sort need appear on these sheets or cards; everything can be printed by the machine, or indicated by stick-on tabs. Where machines with a type-writer base are used, the heading may certainly be typed, but with other machines it is, as a rule, simpler to write with pen and ink the name of the account and brief particulars at the head of each sheet. A good deal of the information found at the top of the old manual ledger is, under machine posting, relegated to separate *Information Cards*.

The machine system of posting is very simple. The work of each batch is sorted into alphabetical order, the sheet for each account worked is selected in turn, inserted in the machine, the old balance is "picked-up," i.e. recorded in the machine, and the item *Dr.* or *Cr.* posted after the last entry. The new balance is printed automatically with a touch of a lever.

Full particulars of payees of paid cheques may be typed, or serial numbers only recorded. Similarly, a description of the credit entries may be printed in full or a few easily recognized contractions may be employed to save work.

The ledger machine gives immediate and unmistakable notice when a credit balance is turned into an overdraft during the course of posting, and in this respect it is undoubtedly a gain over older methods where such a condition can be frequently overlooked. The accuracy of the extensions may be taken for granted, but it is, of course, essential that the old balances should be picked up correctly.

At first it was thought that there would be no necessity to call back daily postings, since the statement clerk and ledger keeper post independently from the same items. If the total of the worked balances agreed in each case, the work should be automatically proved. Experience, however, has shown that this is not always true. For example, suppose two accounts are worked during the day, and further items posted to one account by the ledger keeper and to the other account by the statement clerk, yet the total of balances in each case will still be the same, as shown on page 74.

If the individual final balances are checked up this error will be discovered. This is done in many Branches; in others

LEDGER SHEETS

Account	Old Balance	Amt. Posted	Balance	Amt. Posted	New Balance
A	£ 100	Cr. 10	£ 110	Cr. 10	£ 120
B	200	Dr. 5	195		195
	<u>£300</u>				<u>£315</u>

STATEMENT SHEETS

Account	Old Balance	Amt. Posted	Balance	Amt. Posted	New Balance
A	£ 100	Cr. 10	£ 110	£	£ 110
B	200	Dr. 5	195	Cr. 10	205
	<u>£300</u>				<u>£315</u>

the whole of the day's work is called back as in the manual posting system.

Similarly, in theory a trial of ledger balances might be dismissed as an unnecessary formality, but in practice several little errors creep into the work and the periodical trial is still essential.

CHAPTER VIII

OTHER LEDGERS

LITTLE need be added to what has already been said about the General Ledger in Chapter II. The accounts kept in it are mostly summary accounts of subsidiary ledgers and memorandum books, and the entries are made in totals, except for a few of the income and expenditure accounts where the items are few in number, or of such a character as to warrant the posting of full details. For instance, Branch petty expenditure is often recorded in detail in the account in the General Ledger, so as to facilitate an analysis of the entries at regular intervals. In some cases income and expenditure accounts are kept in a separate book, the *net balance* of which is carried to a Profit and Loss Account in the General Ledger.

Where the General Ledger is machine posted, it is treated in a similar manner to the ordinary Current Account Ledgers, although of necessity the entries cannot be completed until the end of the day when the work is through the other books. If it is kept in bound book form, the accounts are generally so spaced that the ledger lasts for some years. Certain of the accounts, such as those recording advances and expenditure, from their very nature always show a debit balance, while others, deposits and income accounts, normally show credit balances. It is convenient, then, to keep debit balance accounts in one half of the ledger, and credit balance accounts in the other half. The Head Office Account, which may be either a *Dr.* or a *Cr.* balance account, preserving the equilibrium of the ledger, may very well occupy a central position.

The General Ledger should be posted by a senior clerk, preferably one who has had nothing to do with the making up of the General Cash Book. If the Manager calls back the entries in the Ledger with the Cash Book, he usually takes the opportunity at the same time of agreeing the balances standing on certain accounts with the respective detail or memorandum books. For example, the Current Accounts balance may

be agreed with the total showing in the Check Ledger Summary Book; the balance on the Branch Credits Account, with the total outstanding in the Branch Credits Journal, and so on.

GENERAL LEDGER ACCOUNTS

A list of accounts usually to be found in this Ledger is given in tabular form below, showing the subsidiary ledgers and Memorandum Books connected with them.

GENERAL LEDGER ACCOUNTS

<i>Dr. ACCOUNTS</i>	SUBSIDIARY LEDGERS OR MEMO. BOOK
Current Accounts	C/A Ledgers
Deposit Accounts	Deposit Ledgers
Home Safe Accounts	Home Safe Ledgers
Interest due on Deposits	Interest Books
Short Bills	Bill Ledger
Discount	Bills Discounted Ledger
Interest on Loans and O'drawn Accounts	Charges Book
Commission Sundry	
„ on Current Accounts	Charges Book
„ on Stock Orders	Stock Order Book
Over in Cash	
Rents Receivable	
Branch Credits	Branch Credits Register
„ Claims	
Unpaid	Unpaid Register
Bills Negotiated	Bills Ledger
Open Credits	
Bank Acceptances	Acceptance Register
Head Office Account (<i>Dr. or Cr.</i>)	
<i>Cr. ACCOUNTS</i>	SUBSIDIARY LEDGERS OR MEMO. BOOK
Overdue Bills	
Loans	Loans Ledger
Discounts, Bills on Hand	Bills Ledger
Notes of Hand held at Branch	„ „
Short Bills on Hand	„ „
Stamps on Hand—Cheques	Cheque Book Register
„ „ —Sundry	
„ „ —Insurance	
Salary	
„ Extra Duty	
Manager's Rent Allowance	
Rent Payable	
Rates and Taxes	

<i>Cr. ACCOUNTS (cont.)</i>	SUBSIDIARY LEDGERS OR MEMO. BOOK (<i>cont.</i>)
Premises	
Stationery	
Short in Cash	
Petty Expenditure	
Messengers Extra Duty	
Unemployment Insurance	
Int. on Dep. Accrued and paid during Qr.	Interest Books
Int. on Dep. in Suspense	„ „
Int. on Current Accounts	„ „
Drafts Sent	Sent Direct Register
Bills Negotiated Contra	Bill Ledger
Open Credits contra	
Bank's Acceptances contra	Acceptance Register
Cash on Hand	Cash Summary Book

DEPOSIT LEDGERS

Deposits may be accepted by a Bank under a number of conditions —

Time Period of Deposit

- (a) Withdrawable at call—Call Deposits.
- (b) Repayment subject to seven or fourteen days' notice—Short Notice Deposits.
- (c) Repayment subject to a long notice—Long term Deposits.
- (d) Lodged for a specified time—Fixed Period Deposits, (At the present time deposits subject to fourteen days notice only are accepted by English Banks).

Payment of Interest

- (a) Interest to Current Account periodically.
- (b) Interest to accrue, awaiting withdrawal or instructions of customers.

Evidence of Deposit

- (a) Pass Book.
- (b) Receipts.

Separate Deposit Ledgers may be kept for each of these groups or for a combination of the conditions of deposit, but,

for the purposes of explanation, it is presumed that all Deposit Accounts are kept in alphabetical order in one or more books—described simply as Deposit Ledgers. The conditions of deposit are then set out at the head of each account, including the rate of interest allowed, this depending on the terms of deposit. Obviously a banker can allow a higher rate of interest on money which is deposited subject to a minimum fixed period or minimum notice of withdrawal, than for money which is withdrawable at any time on demand.

The deposit Ledger when kept in book form is usually of expensive binding and is designed to last for some years. Considerable care must, therefore, be exercised in spacing accounts and adding new ones, if any semblance of order is to be maintained. The Ledger is indexed, preferably on the *Vowel System*, a separate page being allowed in the index for each letter of the alphabet, and each page subdivided into five columns, one for each vowel. The names of the same initial letter are then entered under the appropriate column according to the first vowel occurring in it. Where the first letter is a vowel then the next vowel determines the appropriate indexing column.

The Ruling of the Ledger may vary in different Banks, but the general system is fairly uniform. The page is divided into two parts; the left-hand side records alterations of capital, and the right-hand side shows interest earned, and how dealt with. An example is shown on page 79.

CALCULATION OF INTEREST ON DEPOSITS

Each half-year the interest due to date on Deposit Balances is calculated, and set aside before the net profit for the Bank is struck. In some Banks this calculation is made quarterly, and the total charged to a Deposit Interest Suspense Account, the balance of which is wiped out half-yearly by transfer to the Profit and Loss Account.

Simple interest only is allowed, but there is nothing to prevent a customer transferring his earned interest every quarter or half-year to the principal, or giving his Banker a standing order to do so.

Where the balance on the account and the rate of interest

DEPOSIT ACCOUNT

Current A/c fol. 143. Book No. 114 Signature Book Folio 94

Interest to C. A/c
Rate: Notice

SMITH, ALBERT EDWARD, Accountant, 14 HIGH STREET, SWANSTEAD

Principal					Interest*					
Date	Dr. Particulars	Cr. Particulars	Dr.	Cr.	Balance	Date	Particulars	Dr.	Cr.	Balance
1948 Nov. 10		Per C/A	£	£ s. d.	£ s. d.	1948 Dec. 31	To C/A	£ 11 5	£ s. d. 11 5	£ s. d. -
1949 Jan. 19		Cash		820 10	820	1949 Mar. 10	Accrued Int.		14 8	-
Feb. 10	Cash		100		730		To C/A	14 8		-
Mar. 9	To C/A		500		230					
10	To C/A		230		-					
			£ 830	£ 830	-					

Date of Delivery of Dep. Book

J. P.
A. L.
J. P.

Initials

Date of Delivery of Dep. Book

Initials

J. P.
A. L.
J. P.

* In this example interest decimals are worked on separate cards.

remain unaltered for the whole period under review the calculation of the interest earned is a simple matter, and may be readily ascertained from one of the well-known interest tables. But there may, in other cases, be two complicating factors:

1. Changes in rates of interest during the period.
2. Changes of deposit balances during the period.

The interest calculations can be made in full, but they are generally ascertained from the usual printed interest tables. A little juggling with figures will often save work. For example, instead of looking up in the interest tables £27 10s. at 20 days for the first calculation above, it would be simpler to call it £275 at 2 days or £2 at 275 days, whichever page and figure comes first to hand.

When the interest periods coincide with the usual quarterly banking periods it means the interest calculations must be concluded at a very busy time. Consequently, it is advisable to get as much of the work done as possible beforehand. If the accrued interest on each worked account is calculated at the date when the balance is altered, then at the end of the period only the last calculation remains to be done. The interest earned to date may be entered in the interest columns in the ledger itself and checked the same day by another clerk, or it may be entered on special Interest Cards. A card, ruled in the following manner, is then made out for every deposit account.

NAME OF ACCOUNT

Folio No.

Date	Amt. of Principal	Days	Rate	Interest	Checked by

As a balance is altered, the interest accrued is worked out on the card immediately and independently checked. Any special allowances or deductions are noted on the cards. At the end

of the interest period the last calculation only is necessary to complete the interest calculation of worked accounts.

DEPOSIT INTEREST TRIAL

Although the above calculations may be checked at every stage, there is still the possibility of an error slipping through. If a final check is required, then, interest can be calculated on the total balance of the deposits held as shown by the Deposits Account in the General Ledger. The day-to-day balances on this Account would then be taken out on sheets similar to Current Account Decimal Check Sheets, and interest calculated on the aggregate of these figures, adjustments being made for special rates, special allowances and deductions. The final figure should, of course, approximate with the grand total of the Interest Cards.

Seldom would these final figures agree to a penny, for there is ample scope in the numerous intermediate calculations involving odd half-pennies and farthings for a difference to mount up to some shillings. As a rough guide the totals should never differ more than the equivalent of $\frac{1}{2}$ d. per account. A discrepancy greater than this indicates some graver error in the working.

A suggested procedure for discovering this error is as follows—

1. An independent check on final interest calculations and casts (the “fresh eye”).
2. Check the take out, cast, and interest calculation of the Impersonal Check decimal Sheets.
3. Check allowances and deductions.
4. Re-check interest worked out during quarter. (Running an eye down the account, roughly averaging the balances, is often sufficient.)
5. Tick up large alterations in balances for a wrong date in posting, or for omission of month or year.

After agreeing the totals, the interest earned on each account is entered in the Interest Columns of the Deposit Ledger and also in the *Deposit Interest Books*, or *Deposit Balances Book*, which serve as a check on the Ledger, and preserve a permanent record of interest totals.

£500. 14.10/48. 1 ab. Bk. R. min 4½

Electrical Engineer
14 LONDON ROAD, TONFORD

BROWN, ALBERT EDWARD

Dr.

Gr.

Date	Particulars	Rate	Amount	Date	Particulars	Amount	Balance
1948 Sept. 14	To Current A/c .	4½%	£ 500	s. d.			£ 500 s. d.

HOME SAFE ACCOUNTS

These accounts are generally kept in loose-leaf ledgers. Interest is allowed on every completed 10s. at the fixed rate of $2\frac{1}{2}$ per cent for the first £100 and 1 per cent above that sum, and is automatically added to the principal half-yearly. Since they are designed for small savings, a maximum may be set to the amount of money which may be so lodged. Interest is calculated by extending the balance at the side of the account, as products figures or decimals, and calculating the interest earned on the aggregate of these figures as at one day. The total interest earned on Home Safe Accounts can be tried against the interest calculated on the daily balance of the Home Safe Account in the General Ledger, as for Deposit Balances explained above. This trial seldom gives any trouble, since the amounts involved are small and the rate is constant.

LOANS LEDGER

The advances to customers on Loan Account are kept in a separate Loan Ledger. The entries are comparatively few, and call for no special description. Each account is headed with the necessary particulars, name of customer, address, occupation, limits of loan, expiry or renewal date of sanction, and rate of interest to be charged. Interest figures may be worked out in the Ledger itself and carried to *Loan Charges Books*, or on separate *Loan Interest Check Sheets*, and tried against the daily balance on the Loan Account in the General Ledger.

CHAPTER IX

THE COUNTER

FROM the point of view of getting new business for the Branch and of creating amongst customers and prospective customers the right atmosphere conducive to an expanding business, the cashier or teller is in a unique position, for he is in daily touch with the public. Agents and friends of customers having dealings with an efficient and pleasant cashier will not be shy of bringing their own business to the Branch. Also a cashier, being aware of customers' little peculiarities and mannerisms, can by a little personal attention and tact soon win the confidence of even the most taciturn and "difficult" individuals. The converse also holds good. A tactless cashier can do considerable harm to the Branch business, for people are apt to judge the efficiency of the whole organization by the impression made upon them by the only representative they habitually see. Consequently the choice of the right man to fill the position is of primary importance to the Branch.

NECESSARY QUALIFICATIONS

A tactful and courteous manner is essential; a surly clerk, however efficient, is not the man for the job. The cashier will have to deal with some irritating and awkward folk, and many customers will try his patience to the breaking point; and an imperturbable disposition is then a great asset. On the other hand, he will come in contact with some charming people and experience a variety of personalities and opinions. His work is never dull or monotonous; indeed, many older Bank men look back to their cashiership days as some of the pleasantest spent in the Bank.

A sound technical knowledge is now recognized as essential, particularly of the law relating to cheques and bills. There is not the slightest excuse in this day of enlightenment, after all the educational activities of the Institute of Bankers, for any cashier to plead ignorance of his duty or of the law relating to

banking instruments. He will be called on to take decisions which may involve the Bank in considerable loss, and must be ready and able to sum up a position in a moment, to make up his mind quickly, and to take action resolutely; which means that he must also be a good judge of character.

GENERAL CONSIDERATIONS OF DUTIES

The cashier is there to serve the customer, and this should obviously be his first consideration. Customers must never be kept waiting: any routine work which the cashier must do, such as entering his book, cancelling clearings, or even tidying his Till, must be relegated to slack moments, or after the Bank is closed to the public. Nothing is more irritating to a busy customer seeking quick service than to find cashiers dodging behind desks, or leisurely chatting with ledger clerks. On no account should the counter be left unattended. All forms which the cashier requires during the day, credit and debit slips, etc., should be to hand so that he need not leave his Till. Lunch times should be so arranged that there are always enough cashiers present to deal adequately and quickly with any work presented.

The work of the cashier or teller is concerned chiefly with the receipt of credits, the giving of change, and the payment of cheques. Apart from the usual trivial questions which he can readily answer without leaving the counter, it is not part of his duty to answer general queries; which should be referred to the Manager or his deputy, or those relating to particular departments may be referred to the head of the department concerned.

The counter may be divided into two departments—paying and receiving. Generally, however, the duties are combined: cashiers both paying and receiving.

THE TILL

The cashier is provided with a special drawer for the money and notes under his care, which should be kept in such a manner that a payment of any amount may be made with the minimum of fuss and delay. Each man has his own pet ideas on this subject, and any cashier of some experience is usually only

too willing to pass on a few tips and helpful suggestions to a new comer.

Whatever system the young cashier eventually adopts, once decided he should rigidly adhere to his choice. Any system is better than none. A cashier with a tidy Till is a man with a tidy mind, and his mistakes are few.

CASHIERS' BOOKS

Two examples of Combined Receiving and Paying Cashier's Books are given below and on page 87. They are practically self-explanatory.

CASHIER'S BOOK

THURSDAY, 16TH SEPTEMBER, 1948

RECEIPTS						PAYMENTS								
Sundries Totals and Exchanges			Cash			PARTICULARS			Sundries and Exchanges			House Debits		
£	s.	d.	£	s.	d.		£	s.	d.	£	s.	d.		
			10	10	0	Hardy M. O.								
						James A. J.						5		
6	4	6			Ex. Brown M.		6	4	6					
1	7	6	1	7	H/S A/c Able J.									
102	10	3	17	10	B.C.C. Tall & Co.									
					No. 3 Till A. J.		200							
4	7	6	4	7	L. Clg. P.O.'s									
					Malthus M.						10	10		
			86	4	Town Bread Co. Ltd.									
					Dep. Int. Robinson B.		4	4	9					
					Dep. A/c Evans A.		25							
					Newman A. J.						50			
5					Unpaid Bc. Southtown									
25	7	6	5	7	Agents West Lullingford						10	10		
				7	Read, F. A.									
				8	Mays T. L.									
10					Ex. do.		10							
			56	10	Thomas & Sons									
					Jones B. T.						5			
£154	17	3	182	4	Cash from 14th Sept.		£	245	9	3	81			
			672	4							245	9		
				9								3		
			854	9										
					Cash in Hand						326	9		
											528	3		
												5		
£			£	854	9		£	854	9		8			

A growing practice is for the cashiers to keep a record of cash transactions on tear-off carbon blocks and special slips only. To agree his Till money at the end of the day these lists are totalled in his Till book or on a spare sheet of paper.

The actual method of showing the agreement of the Till balance may vary in practice, but the principle is the same. Money received is added to the balance of the preceding day, and the sum agreed with the balance actually in the Till at the end of the day plus all moneys paid out or handed over to the reserve or first cashier.

CARE OF CASH AND CASH RESERVES

The first cashier is generally made responsible for the smooth running of the Counter Department, his duty also including the management of the cash reserves of the Branch. He must see that there is always on hand an adequate supply of coin and notes to meet all normal requirements, and anticipate and prepare for periodic abnormal demands occasioned by seasonal requirements, such as annual fairs, or Christmas shopping. Supplies to meet these needs he obtains from the Central Bullion Office at Head Office, or from nearby Branches having an excess. Surplus coin he endeavours to place with neighbouring Branches requiring supplies, while surplus notes and soiled and mutilated notes he forwards to Head Office.

In addition to his own Till money, the first cashier draws off the reserve the first thing in the morning any notes and coin which he estimates will be required at the counter during the day. The other cashiers, as they require supplies, apply to him and initial his book for moneys received. It is a sound rule never to allow cashiers to deal and swap among themselves nor to deal direct with the Reserve. No Cashier should keep more money on his Till overnight than is absolutely necessary for commencing business next morning; notes or coin on his Till in the evening in excess of such requirements should be handed over to the first cashier, who should initial the several Cashiers' Books for amounts received. The first cashier is then in a position, at the end of the day to take stock of the position, and to transfer to reserve moneys not immediately required.

In order to keep track of his transactions with other cashiers,

the first cashier frequently keeps a separate memorandum book in which he records all sums passing between his Till and other cashiers. The entry is made as soon as the transaction takes place, and the receiving cashier initials for the amount: in a busy time it is fatal to rely on the memory for these transactions. At the end of the day the figures are copied into his Cashier's Book, when he should see that he obtains the other cashiers' initials for the entries.

There may also be kept a Reserve Memorandum Book, in which amounts as subtracted from or added to the Reserve are entered. The Manager can then agree the totals shown therein each evening with the amounts actually in the strong room, and also agree the figures with those shown in the *Cash Balance Book*.

In order to preserve the continuity of the surveillance and responsibility of each cashier for the money under his charge, he should see his Till money safely locked in the strong room at night and personally extract it in the morning. He should, in addition, check his bagged silver and copper with his Till Book the first thing in the morning before making any transaction.

CASH BALANCE BOOK

When the Till money is taken up at the end of the day, the amounts are entered in detail in the respective categories as notes, silver, and copper in a Till Memorandum Book. The total so obtained should agree with that required to balance the Cashier's Book. The figures from these Till Books, sub-totalled under Bank Notes, Silver and Copper, are summarized in a *Cash Balance*, or *Telling Up Book*. To these figures are added the amounts as shown in the Reserve Book and anything held overnight as "Cash," e.g. P.O.s and local cheques. The grand total of this book then represents the "cash" held in the Branch, and is the sum needed to balance the General Cash Book for the Daily Balance.

CHAPTER X

PAYING CASHIER

THE payment of his customers' cheques is one of the Banker's most important duties. Except for items presented direct for payment by another Bank, cheques are received by the Banker for encashment in one of two ways—

1. At the counter.
2. Through a clearing.

The considerations which govern the payment of cheques received through the Clearings have already been discussed at some length. When one customer's cheques are paid in for collection and credit by another customer of the same Branch, the Banker is both collecting and paying, and as the Paying Banker, he has the same duties and rights as when he is paying cheques received through the In Clearing.

Cheques presented at the counter for encashment may be received of—

- (a) The drawer himself.
- (b) Another customer.
- (c) A stranger.

Quite obviously, since the paying cashier must either pay or refuse payment of cheques instantly as and when presented, he must be sure of his facts and of his position, in law. Consequently, it is impossible, in discussing his duties and dangers, to avoid some reference to the law governing the payment of cheques by a Banker.

On the cashier falls the responsibility of preserving the good name of his Bank and of its customer. If he wrongfully refuses to pay cheques and damages the customer's credit thereby, the Bank may be sued for substantial damages. On the other hand, if he pays a cheque purporting to be signed by a customer and the drawer's signature subsequently proves to be a forgery, the Bank must suffer the loss of the money so paid away. Furthermore, he is responsible for the money entrusted to his

care, and must be constantly on his guard against errors in paying over cash—not such a simple matter as it would at first sight appear.

PAYMENT TO A STRANGER

Dealing first with the case in which the most risks are involved, that is, when paying an open cheque to a stranger, we should note that the Banker is then paying under his customer's orders, and a species of agency relationship is thereby set up. The Banker is under no duty or obligation to the stranger, but only to his own customer; his duty is to pay according to the customer's mandate. Nevertheless, the Banker can insist that his orders be clear and unambiguous. The considerations which are involved, and which the cashier must rapidly pass in review, before he can pay the money over to the stranger, may be conveniently discussed under the following headings—

- I. The signature of the customer.
- II. The funds available for payment.
- III. The regularity of the cheque itself.
- IV. Whether payment is stopped.

I. SIGNATURE

The cashier must be cognizant of the signatures of all the customers of the Branch. If he is at all doubtful of a signature he can compare it with the Branch specimen signature in the Signature Book, or on the Signature Card.

Should a cheque be paid with a forged drawer's signature, the Banker may not debit the account with the amount so paid, and the Bank suffers the loss. The very rare exception to this rule is where the customer by his conduct is stopped from denying the genuineness of the signature. Even then the cashier has obviously paid under a signature which is not the true signature of his customer; certainly not a situation in which a banker cares to be placed.

Where the cashier is convinced that the signature on a cheque presented for encashment is a forgery, he must inform the Manager or his deputy immediately. The Manager will then take such steps as he deems necessary to protect his

customer's interests and, if possible, bring the forger to justice and prevent the possibility of further frauds.

If the cashier has no reason to suspect the presenter of the cheque, but is not satisfied with the signature of the drawer, or the manner of signing, he must act with some caution, for he may damage his customer's credit by abruptly refusing to cash it. In these circumstances, if the difficulty is tactfully pointed out to the presenter, and the cheque referred to a senior official, the latter, in a reasonable conversation, can usually sum up the position, and decide whether to pay or refuse payment.

II. BALANCE AVAILABLE FOR PAYMENT

Again it must be stressed that it is desirable that the cheques presented at the counter be paid with the minimum of delay. To avoid continual reference to Current Account Ledgers, cashiers should make it part of their duty to be informed of the approximate balance of all customers of the Branch. If this is asking too much, they should at least be aware of any accounts the balances of which are running low. Every Branch has, to the sorrow of the Branch Manager, some "duds" who must be watched with care. The payment of a cheque over the available credit balance, or advance allowed, may be a source of considerable embarrassment to the Branch Manager, and he will certainly not be particularly pleased with the cashier responsible for the trouble.

Customers may withdraw part or all of the balance available for payment on their accounts. In computing the balance available, some care must be exercised where the customer may sign on several accounts.

The money available for payment of the cheque must be actually in the Branch. A sum paid in at another Branch is not available until received by the paying Branch, unless exceptionally it is the recognized practice of a customer to pay in at another Branch. Nor need the Banker take into consideration a credit balance for the same customer held at another Branch, when paying a cheque on his own Branch.

The payee of a cheque which exceeds the balance available has no right to inquire the deficit. But if a sum is paid to the credit of an account by a stranger, and the banker accepts it,

he must pay his customer's cheque, presented subsequently and covered by the new balance, even if presented by the same stranger.

Uncleared effects are not part of the available balance unless by agreement, express or implied, between the banker and customer.

Where a cheque has been dishonoured, because it exceeds the available balance, a smaller cheque presented subsequently which is within the balance may be paid. This is certainly the position for Banks in England. In Scotland the legal position appears to be slightly different. Unlike the law for England, a cheque there is an assignment of the sum for which it is drawn in favour of the holder from the time it is presented to the Banker. Consequently it appears to be the practice in Scotland, when a cheque is returned for want of sufficient funds, to transfer the balance of the account to a "Funds attached" account.

III. REGULARITY OF THE CHEQUE

It has been noted that there is a duty on the part of the customer to draw his cheques in a clear and unambiguous manner, and to take all reasonable precautions against fraud. If the customer is negligent of his duties and a cheque is fraudulently altered, he will have to stand any loss suffered as a direct result of his own carelessness. The banker will be able to debit his account with the altered cheque, providing the alteration is not apparent, and the cheque is otherwise complete and in order.

A cheque issued signed by the drawer, but incomplete in other respects, may be filled in by a holder in accordance with the rules given in Section 20, Bills of Exchange Act, 1882. Thus the paying cashier may pay a cheque the body of which, or any material particular of which, is not in the drawer's own handwriting, unless other circumstances arouse his suspicions that it has been completed in fraud. In any case the cheque must be complete and regular in all respects before presentation to him.

When the cashier pays a cheque, the instrument itself, and the debt evidenced by the cheque, is discharged; but the

payment must be made according to the customer's directions. The Bills of Exchange Act, 1882, describes this as "payment in due course," defined in Section 59 as "payment made at or after the maturity of the bill *to the holder* thereof in good faith and without notice that his title to the bill is defective."

It will be noticed that there are four conditions in this "payment in due course"—

Payment must be made,

- (a) at or after maturity,
- (b) in good faith,
- (c) without notice that the presenter's title to the cheque is defective,
- (d) to the holder.

In a classic case the Lord Chancellor observed—

I can well imagine that on a person's presenting himself whose appearance and demeanour were calculated to raise a suspicion that he was not likely to be entrusted with a valuable document for which he was to receive payment in cash, I should think it would be extremely probable that, whether the documents were a cheque payable to bearer for a large amount or a bill, the counter clerk and banker alike would hesitate very much before making payment.

A word of caution to the young cashier must be inserted here. Beware of hasty conclusions. Good taste in dress is no criterion of honesty, or even of means. The wealthy man is proverbially careless in his dress; the accomplished rascal rarely advertises his lack of money.

But where, for example, a person purporting to be the payee of a cheque informs the banker that he has lost the document, giving particulars of amount, date, and other details, and this same document is subsequently presented for encashment by another stranger, the cashier should certainly delay payment pending further investigation.

Payment to the Holder. The "holder" in this sense is the possessor of a "bearer" cheque, or the *payee* or *endorsee* of an "order" cheque. If, therefore, the cashier pays a cheque the "endorsement" of which is forged, then *ipso facto* the presenter was not the "holder." Obviously it is impossible to ascertain whether

the endorsement is genuine on every cheque before cashing it, and so a measure of relief is afforded a paying banker by the next Section of the Act, Section 60, which reads—

When a bill payable to order on demand is drawn on a banker, and the banker on whom it is drawn pays the bill in good faith and in the ordinary course of business, it is not incumbent on the banker to show that the endorsement of the payee or any subsequent endorsement was made by or under the authority of the person whose endorsement it purports to be, and the banker is deemed to have *paid the bill in due course*, although such endorsement has been forged or made without authority.

The conditions of this important concession merit closer scrutiny.

1. *It applies to cheques only.* A banker need not pay a bill, as distinct from a cheque, of which he had no advice, when presented by a stranger. The position of the banker with regard to such bills is discussed later.

2. *The banker on whom it is drawn pays it.* The question has frequently been asked whether a banker paying a cheque on another Branch or Banker, under an advice, is “the banker on whom it is drawn.” He appears to be an agent, and the point has never been settled in Court. The Council of the Institute of Bankers in February, 1924, sought legal opinion on this point, and Mr. George Wallace, K.C. in a reasoned reply gave it as his opinion—

(a) Branches of the same Bank paying cheques under advice receive the protection of Section 60.

(b) It is doubtful whether Branches paying cheques of another Bank under advice do come within the protection.

Although in (b) above, providing the Banker paying a cheque bearing a forged endorsement took all reasonable precautions, it is presumed the advising Bank would indemnify him against any loss.

3. *In good faith.* Honesty is the criterion of good faith.

4. *“In the ordinary course of business”* implies, in the ordinary course of banking business.

Payment will not be in the “ordinary course of business” if made out of the usual banking hours, except, of course, for the people who are actually in the banking office when the door is closed. Indeed, the customer may wish to stop payment the following morning of the very cheque so paid, and the

Banker will have robbed him of this right by so paying the cheque.

The ordinary course of business of a Banker is hard to define in a few words; but it is undoubtedly the crucial test which decides whether the banker can shelter under the protection of this section. As Mr. George Wallace, K.C. pointed out in his reply referred to above, the phrase does not mean the invariable or universal practice, but what is usual or customary. This will vary from time to time, and each case must be judged on its merits.

So often has the attempt been made to throw on the broad shoulders of the Banker, and so on to the Cashier, the onerous duty of ascertaining whether the presenter of an open cheque is the true owner, and to question his "ordinary course of business" that the Banker should be zealous to safeguard the privilege which this section undoubtedly gives him.

Under present practice it would appear that the cashier may safely pay over the counter a cheque payable to a joint stock company and purporting to be endorsed by them, providing other circumstances do not arouse his suspicions. Similarly, the mere fact that the cheque is for an unusually large amount will not, in itself, justify a Banker in refusing payment.

5. *The endorsement must purport to be that of the payee.* The endorsement must be examined to ascertain whether it conforms to the customary British practice. The endorsement should be written on the cheque, before it is presented for encashment. It is doubtful whether a cheque which is endorsed, or on which the endorsement is altered at the request of the cashier, is an effective endorsement, since it might be held to be a mere receipt for the money.

These then are the conditions of the paying Banker's protection should he pay his customer's open cheque, which appears to be perfectly regular, to somebody other than the true owner. If he complies with them, then he can debit his customer's account with the money so paid.

"*Opened*" *Crossings.* When once a customer has crossed a cheque, the money may not be paid over the counter of a Bank. The practice of "opening" crossed cheques by the

drawer writing the words "Pay Cash" across the face of the cheque followed by his signature is to be strongly discouraged. The facilities for fraud which this practice encourages, may entail considerable loss to Banks.

In November, 1912, the Clearing Bankers decided—

That no opening of cheques be recognized, unless the full signature of the drawer be appended to the alteration and then only when presented by the drawer or his known agent.

So important is this Rule that every cashier must know it by heart.

Erased Crossings. A crossing may be so skilfully erased that no trace of the alteration is observable even by a reasonable scrutiny, and the cashier may have paid such a cheque across the counter to a person not entitled to the money. Provided the alteration is not apparent and he pays in good faith and "*without negligence*," the banker is protected by Section 79, Bills of Exchange Act, 1882; and he may debit his customer's account. Here, it must be noted that one of the conditions is payment "*without negligence*," which relates to the payment itself and any attendant circumstance which should have aroused the cashier's suspicions.

Payable to "Payee only." Where a cheque is made payable to "John Smith only" the cashier should require the identification of the payee, since it should be paid to no one but John Smith in person. Such a document is embarrassing to the Banker and to the payee. The customer who is in the habit of drawing cheques in such a form may not be aware of the difficulties imposed, and when these are pointed out to him, he may be dissuaded from using this restrictive phrasing.

IV. PAYMENT STOPPED

Having satisfied himself that there is nothing in the cheque itself or in the circumstances of its presentment that prohibits payment, the cashier must glance at his *Stop Sheet* to see that the drawer himself has not countermanded payment.

Up to the moment of payment the drawer, and only the drawer, has the right to countermand his mandate; this he may do personally, by letter, telephone, or telegraph. In the last two instances some care must be exercised to see that

correct information is recorded, and that the order is subsequently confirmed by the customer in writing, for this matter has been the subject of considerable litigation and some loss to Bankers.

It is essential that all relevant particulars of the "stopped" cheque be given to the cashier at the earliest possible moment. These he must record immediately and carefully on his Stop Sheet or Card. Thereafter he has no excuse for paying the cheque. If it is subsequently presented for encashment, the cashier must explain to the presenter that payment has been countermanded by the drawer to whom the presenter should be referred for an explanation.

A good cashier will memorize the particulars of all cheques "stopped" that are dated within, say, a month, which will enable him to deal expeditiously with the majority of presentations. In the case of cheques dated more than a month previously he will then automatically refer to the Stop List.

ENCASHMENT

We are now in a position to gather up the foregoing in a few practical suggestions.

When the cashier is handed an open cheque for payment by a stranger, his first glance is to the signature of the drawer. This brings to his mind whether there are any recent "stops" on the account, or any warning note in the Minute Book, also the state of the balance, whether "safe" or "unsafe." If the latter, he will make some excuse to get in touch with the ledger keeper, as unobtrusively as possible, to ascertain whether there are funds available to meet the cheque. Meanwhile, he sees to the regularity of the body of the cheque and the endorsement, if required. If the date of the cheque is more than a few days old, he makes sure, by looking at his Stop Sheets, that payment has not been countermanded. When satisfied on all these points, he proceeds to pay the cheque.

Although the procedure makes a long recital in print, in practice, if there is no necessity to refer to the ledger, this swift survey takes merely a matter of seconds.

Should the presenter express a wish for payment in a certain way, the cashier should endeavour to meet his requirements.

It a wise precaution to settle this matter of the "make up" of the payment, before handing over any money, and to jot it down on the back of the cheque. Chopping and changing during payment is a fruitful source of error. On wages and petty cash cheques the cashier usually finds that this little sum is already done for him on the back. This saves time and discussion, but often proves a trap to the unwary. Such workings should be carefully checked, and the total agreed with the amount of the cheque as an invariable preliminary to payment.

Customers should be encouraged to check their money before leaving the counter. A few are shy to do this before the cashier, feeling that to do so would be to cast a slur upon his accuracy, but a tactful explanation that the cashier himself would prefer it, will usually put such customers at ease. It is very much more satisfactory for both parties to clear up any misunderstanding, or fancied error, immediately than to try to elucidate the position at some later date.

EXCHANGES

When a banker exchanges a cheque for a customer he is a purchaser of the cheque, and is a holder for value. He accedes to all the rights as well as to all the duties of such a holder. If it is returned unpaid he may sue all parties liable on it in his own name. He holds it free from any defect of title of prior parties, even of his own customer, except where a cheque is crossed "not negotiable." As a general rule, however, he knows nothing about the parties other than his own customer, on whom he relies in the event of the dishonouring of the cheque.

If the customer signs the back of the instrument, this liability is admitted, but in any case the banker generally insists on his customer signing an *Exchange Slip*. By signing this slip the customer definitely admits the right of the Bank to debit his account in the event of the dishonour of the negotiated instrument, whether he has signed as endorser or not.

The Banker would always prefer his customer to pay all drafts into his account, and to withdraw by his own cheque any ready money needed. But requests to exchange items had shown a tendency to increase, until in 1945 the Board of Inland Revenue having drawn attention to certain abuses of the

facility, the Treasury requested the Banks to limit this service to the public. Consequently a notice in the following terms was issued by all member banks of the British Bankers' Association.

On and from 4th June, 1945, no member Bank of the British Bankers' Association will, at any of its offices in Great Britain, *cash or exchange* any cheque, payable order or draft (or part thereof), without credit to the Banking Account of the presenter, unless—

- (i) it is uncrossed and drawn on the Branch at which it is presented, or
- (ii) it is presented by the drawer or his known agent, or
- (iii) it is payable under a Credit Established on behalf of the drawer, or
- (iv) it is drawn for a sum not exceeding £10 in which case it may, at the discretion of the Manager, on exceptional and isolated occasions, be encashed or exchanged.

Items which cannot be included in any of these categories *must be paid in full into a Banking Account.*

Subsequently as a result of representations from a number of sources it was agreed to some relaxation of these rules; but only in certain specific cases, mainly concerned with the payment of wages and salaries, details of which have been circularized to the various member Banks.

PAYMENT OF A BILL

It is not part of the implied agreement between the banker and customer that the Banker shall honour any bills of exchange, apart from cheques domiciled with him. The Banker may, and frequently does, pay such bills, and the customer's signature is sufficient warrant for him to debit the account. Some Bankers insist on an advice list of all bills falling due, over a certain period, which the customer wishes paid, to which information the Banker has a right. It will be remembered that the Banker gets no statutory protection against the possibility of paying to somebody under a forged endorsement.

Lord Macnaghten in delivering Judgment in *Bank of England v. Vagliano Bros.*, 1891, said—

In paying their customer's acceptances in the usual way bankers incur a risk perfectly understood, and in practice disregarded. Bankers have no recourse against their customers, if they pay on a genuine bill to a person appearing to be the holder, but claiming through or under a forged endorsement. The bill is not discharged; the acceptor remains liable; the banker has simply thrown his money away.

The cashier should, therefore, scrutinize all bills very carefully before paying. The following points need his special attention—

1. The signature of the customer—the acceptor. Has payment been advised?
2. The due date.
3. Whether the bill is regularly drawn and complete. Any alteration must be assented to by all parties liable.
4. Stamp duty.
5. Regularity of all endorsements.
6. Any instructions of customer to debit a specified account; if amount to be in foreign currency, the rate at which it must be converted.
7. Whether payment has been countermanded by customer, or instructions are in Minute Book not to pay.
8. Whether there is a balance available to pay the bill.

A banker is under no obligation to pay a bill domiciled with him by a person who is not a customer, nor need he accept money for its payment.

PROMISSORY NOTE

Where a promissory note is made payable at a Bank, the Banker is in a similar position to that outlined above for a bill of exchange domiciled with him.

LETTERS OF CREDIT

Where a circular letter of credit is presented at the counter with a request for a withdrawal, the cashier should demand to see the letter of indication. He must carefully scrutinize the terms of the letter, and observe to whom it is addressed, and compare the signature to the letter with the specimens supplied by the Bank. These should be sorted in alphabetical order of Banks in a file kept in a place convenient for all cashiers. A record of all stopped letters and any information relative to the letters of credit should be kept in the same file.

The withdrawal draft is made out by the cashier to show all the relative particulars of the letter under which it is drawn. If it is not made out in duplicate, it is a wise precaution to get

the presenter to sign an exchange slip which may be referred to in case of query at a later date.

The stamp duty is paid by the presenter. The amount withdrawn is entered in the letter, and if the payment exhausts the letter it should be retained, pinned to the draft, and both forwarded to the paying Bank. The letter of indication should also be cancelled. The precise regulations for charging the paying Banker's commission, if any, should be observed.

CIRCULAR NOTES

These are issued with a letter of indication and are usually for even amounts. The note itself is signed by the presenter in the presence of the cashier, and the signature should tally with that on the letter of indication. The note is then stamped and cashed in the same way as the draft under a letter of credit. When the last note is cashed the letter of indication should be cancelled. Circular Notes are now practically obsolete.

TRAVELLERS' CHEQUES

Travellers' cheques are a form of draft issued by Bankers for the convenience of travellers. Since the liability of them is that of a first-class Bank, they are readily exchanged by traders or hotels, and also by all Agents of the issuing Bank. When asked to cash a traveller's cheque, the cashier must assure himself of its genuineness by comparing it with the specimen supplied to the Branch. He should also ascertain whether it is on the list of lost or stolen cheques. The holder identifies himself by signing his name in ink in the presence of the cashier in the space left for that purpose upon the face of the cheque, which signature must correspond with that placed upon the cheque at the time of its purchase.

CHAPTER XI

RECEIVING CASHIER

ONE of the important services which a Banker performs for his customers, and incidentally for the whole community, is to afford facilities for the rapid collection of credit documents.

To facilitate the payment in of items for collection, and any moneys which the customer may wish to add to his account, the Banker supplies him with a book containing credit slips in duplicate or triplicate. Special credit slips are now given to customers who are in the habit of paying in cheques at one Branch for the credit of an account at another Branch or another Bank. These slips are designed to show more particulars of the items paid in for collection; for example, the name of the drawer and payee of each cheque enumerated. This is, in a sense, a precautionary measure which Bankers have adopted since the decision in an important case, *E. B. Savory & Co. v. Lloyds Bank, Ltd.*, 1932, which is discussed in some detail later in this chapter. The customer is encouraged to fill in credit slips himself, thus saving time at the counter, and avoiding any subsequent argument as to the actual amount paid in. Should he have no time to do so, or have the slightest difficulty in filling in his credit slips correctly, it is the duty of the cashier to assist him. Whether filled in by the customer or the cashier, one of the slips should bear the signature of the person paying in the credit. This slip is torn out of the book and retained by the cashier, and is used thereafter to post the item in the books of the Branch. The duplicate or triplicate slips remaining in the book are stamped with the Branch stamp and initialed by the receiving cashier, after the individual items entered therein have been checked.

STAMPING RECEIPTS

It should be noted that the duplicate credit slip retained by the customer serves as a receipt. The definition of a receipt in Section 101 of the Stamp Act, 1891, is very wide, and includes

any note, memorandum, or writing whereby any money amounting to £2 or upwards, or any bill of exchange or promissory note for money amounting to £2 or upwards, is acknowledged, or expressed to have been received, or deposited, or paid, whether the same is or is not signed with the name of any person.

Such a receipt, then, must be stamped with a 2d. stamp if £2 or over, unless it comes within the Banker's exemption. This exemption covers only receipts given by a banker to his own customer, or his customer's agent. Where money is paid in, for example, by Smith for the account of Brown, the acknowledgment must bear a 2d. stamp if the sum is £2 or over, whether it is in the form of a duplicate credit slip or a formal receipt. Naturally the cashier cannot be expected to ask every person who pays in money whether he is paying it in as the agent or representative of the account-holder. Nevertheless where the position is clear, his duty is also plain.

The cashier should see that the slips are dated as at the day of receipt. Any alteration of date must be initialed by the person paying in the credit. Credits may be received for the accounts of customers at other Banks or Branches, in which case the name of the Bank or Branch must be clearly shown at the top of the credit slip.

MONEY IN

When receiving a credit, the cashier deals first with the money, checking it carefully and methodically. Each item as agreed is ticked with a coloured pencil, and the short cast of the money is also rapidly checked. An error here is a frequent source of trouble when Tills are balanced at the end of the day. The money itself should be placed in the Till immediately, or put in a safe place, but the cashier should not keep his customer waiting while he tidies his Till to his liking. Packets of silver and copper, not immediately counted, should be marked with the name of the customer and date of receipt, and may then be checked at leisure.

FORGED NOTES

When a forged Note is tendered to the cashier, he should inform the Manager, who has instructions to communicate

with the local police, or, if in Metropolitan Police area, with the Director of Criminal Investigation, New Scotland Yard. The forged Note should in every case be handed over to the police. If the person presenting the Note is unwilling to part with it, his attention should be drawn to the Forgery Act, 1913, under which any person who has in his custody or possession a forged Note may be deemed guilty of a felony.

COLLECTION OF CREDIT INSTRUMENTS

The cheques and drafts entered on the credit slips are next dealt with. Each item is examined with care to see that it is complete, that the endorsement or discharge is in order, that it is not post-dated, nor out of date. They are compared with the entries on the credit slip, and each item is branded with the Branch stamp. The branding of cheques with the Branch stamp is sometimes done by a clerk of the Waste Clearing Department, but in view of the trouble caused to Clearing House Officials should a cheque slip through uncrossed, it is a safer practice to stamp all cheques at the counter as soon as received in the Bank.

The duty and responsibility of the receiving cashier does not end there. He cannot accept mechanically anything and everything presented to him, for there are certain documents which it is very unwise for the Banker to receive; the collection of which may involve him in serious loss. It is part of the cashier's duty to recognize immediately what he may and what he may not receive. This he cannot do, unless he is aware of the liabilities of a collecting Banker, and of the duties thrust upon him by statute. He must have some understanding of his responsibilities as a receiving cashier for preserving intact the special legal protections afforded a collecting banker, and some knowledge of the case law on the subject, revealing as it does the pitfalls and weaknesses in the position.

DUTIES AND RESPONSIBILITIES OF COLLECTING BANKER

The Banker when collecting the proceeds of money documents is acting as agent of his customer for that purpose. Now there are certain definite duties attaching to the role of agent.

First of all he has a duty to the principal, his customer, to use all diligence in presenting the articles for payment. This is not so much the responsibility of the cashier as of the head of the Waste Clearing Department. The Banker must also protect his customer's rights in the event of the dishonour of the instruments forwarded for collection. In addition, he is under a duty to the true owner, if he collects cheques which have been stolen, a duty thrust upon him by statute, as we shall see later, compelling him to take all reasonable care to protect the true owner's property.

The collecting Banker, in common with other mercantile agents, is always open to the charge of "conversion." This has been defined as follows—

Any person who, however innocently, obtains possession of goods the property of another who has fraudulently been deprived of the possession of them, and disposes of them, whether for his own benefit or that of another person, is guilty of conversion.

Consequently whenever the Banker collects the proceeds of cheques or money documents which are stolen, he is guilty of the "tort of conversion." Since he has no means at his disposal of telling whether the drafts which he is collecting are, in fact, the property of his customer or not, it would appear at first sight that he is open to this risk every time he collects. Fortunately this is not so. Because of his exceptional position and the necessities of his business, a special measure of protection is afforded him by statute. Section 82 of the Bills of Exchange Act, 1882, is the collecting Banker's charter.

It reads—

Where a banker in good faith and without negligence receives payment for a customer of a cheque crossed generally or specially to himself, and the customer has no title or a defective title thereto, the banker shall not incur any liability to the true owner of the cheque by reason only of having received such payment.

This is a considerable measure of relief, but it is severely conditioned. It applies to crossed cheques only. The Banker must collect for a customer in good faith and without negligence.

Let us then take these conditions one by one as imposed by the Section and see how they affect the work of the receiving cashier.

Cheques Must Be Crossed. The crossing must be placed on

the cheques before they come into the cashier's hands. The stamp branded on the cheque by the cashier is not sufficient to give the Banker the protection of the section. The person paying in may cross the cheques at the counter, but not, it has been argued, at the request of the cashier, for then they are being crossed by the Banker through his agent. Despite the request printed at the foot of most credit slips that customers cross all cheques before paying them in, open cheques are frequently tendered to the cashier for collection. It is not the usual practice to refuse them for that reason only, but if the customer is new to banking, the cashier may tactfully intimate the Bank's wishes in this respect. Although Bankers are perfectly aware of their lack of protection when collecting such cheques, it is accepted as a reasonable business risk.

Collecting For a Customer. A customer may be described as a person who has been accepted as an account holder, current or deposit, subsequent to the satisfactory completion of all the usual formalities. Custom or duration is not the essence of the position. Therefore the Banker may collect for a "customer" the first cheque paid into an account. On the other hand, the cashier will note the danger of collecting a cheque for a stranger, even though he is willing to wait for the money until the cheque is cleared. Crediting an Impersonal or Sundry Account temporarily, while a cheque is being cleared and references taken up, will not help the Banker at all, should it prove to have been stolen, for he cannot plead to have collected for a customer. His only hope in such a case is that he may learn of the fraud before he parts with the money.

The practice of crediting an account immediately with cheques that are being collected, and describing them as "cash," is given official sanction in the Bills of Exchange (Crossed Cheques) Act, 1906, which amends Section 82 of the principal Act by explaining that a Banker receives payment of a crossed cheque *for a customer*, notwithstanding that he credits his customer's account with the amount of the cheque before receiving payment thereof.

In Good Faith. It can be taken for granted that the cashier always acts in good faith, that is, honestly.

Without Negligence. Negligence may be said to be the real stumbling block of the collecting Banker. The Manager is absolutely dependent on his cashier to act in all cases "without negligence." What then is meant by the phrase? Unfortunately, there is no statutory definition of negligence. Moreover, there is no short and inclusive rule by which the cashier may guide his conduct. All that can be done is to study the cases which have turned on this point, where a definite line of conduct on the part of the Banker has been declared as negligent, and from the evidence try to compose a picture of what the Courts themselves understand by the term. Mr. R. W. Jones, in his *Gilbart Lectures*, summed up the position thus:

The legal history of negligence in relation to Section 82 reveals a doctrine that is ever shifting in its implications, that is ever expanding in its scope as new circumstances arise, so that you cannot be certain, if you are concerned with the collection of a stolen cheque in circumstances that have never been examined by the Courts before, that you will not find your conduct branded as negligent.

All that we can say for certain is that if there is any circumstance at all out of the ordinary connected with the collection, either antecedent or present, it should put the cashier on inquiry. What is considered out of the ordinary and how far the inquiries must be followed are still debatable points, but there is not the slightest doubt that the Banker, and the cashier is acting for the Banker in this matter, neglects this duty at the expense of his legal protection against the charge of "conversion."

As a guide to the cashier in his daily work, a short summary is appended of instances where the collecting Banker has been held to be negligent and has lost thereby his statutory protection. Cases are quoted so that the full circumstances may be studied at leisure.

1. Failure to notice that the endorsement was irregular.

Bavens Junior & Sims. v. London & South Western Bank, [1900] 1 Q.B. 270.

2. Collecting a cheque crossed "A/c payee" for other than the named payee.

House Property Company of London Ltd. v. London County & Westminster Bank Ltd., 31 T.L.R. 479.

3. Failure to notice that a material alteration was not signed by all drawers.

Souchette Ltd. v. London County Westminster & Parr's Bank Ltd. (1920), 36 T.L.R. 195, K.B.D.

4. Collecting for a private customer with an unsatisfactory account a cheque payable to a third party, a firm.

Motor Traders Guarantee Corporation Ltd. v. Midland Bank Ltd. (1937).

5. Crediting a cheque payable to a partnership into a private account of one of the partners.

Bevan v. National Bank (1906), 23 T.L.R. 65.

6. Crediting an employee's account with cheques drawn on the employer's account payable to a third party.

The Carpenters Company v. British Mutual Banking Co. Ltd. (1937).

7. An instrument payable to a public body or public official collected for the account of a private person.

Ross v. London County Westminster & Parr's Bank Ltd., [1919] K.B. 678; 35 T.L.R. 315.

8. Cheques payable to a limited company and placed to the credit of the private account of one of the Directors or employees.

A.L. Underwood Ltd. v. Bank of Liverpool and Martins, [1924] 1 K.B. 775.

9. Failure to make inquiries into any unusual operations on an account.

Lloyds Bank Ltd. v. Chartered Bank of India, [1929] 1 K.B. 40.

10. Placing cheques to the private account of a person signing under a power of attorney for the drawer, without making full inquiries as to his authority to do so.

Midland Bank Ltd. v. Reckitt and Others (1932), T.L.R.

11. Crediting an account of the wife of an employee with cheques drawn on the account of the employer.

E. B. Savory & Co. v. Lloyds Bank Ltd. (1932), 48 T.L.R. 30.

12. Failure to take due precautions and complete all the necessary formalities and inquiries, when accepting a stranger as a customer.

Guardians of St. John's Hampstead v. Barclays Bank Ltd., 39 T.L.R. 229.

E. B. Savory & Co. v. Lloyds Bank Ltd. (1932), 48 T.L.R. 30.

This last is, naturally, an example of the responsibility of the Branch Manager.

A cashier must take as much care when receiving cheques on behalf of a customer of another Branch as he would for his own customers. Indeed, since of necessity he is not in possession of all the relevant information, he must take added precautions. He is on safe ground only when the cheques are actually payable to the account holder himself. Special credit slips are now generally used for customers of other Banks or Branches, which record particulars of each item to be paid in. Thus the information is passed on to the account holder's Branch. Where cheques, in these credits, are payable to third parties the cashier should refer them to the Manager or his deputy, who will use his discretion whether they shall be collected in the ordinary way, or whether they shall be forwarded to the other Branch pinned to the credit slip to be dealt with there, as they think fit.

The cashier must not overlook the fact, that when cheques are tendered for collection and credit to a Deposit or Home Safe Account, the same vigilance is necessary. In fact, since it is not customary to make the same full inquiry when opening such accounts as for current accounts, there may be added dangers. Unless, therefore, the depositor also has a current account, or the cashier has definite instructions on this matter, he should refer all cheques received for collection for these accounts to the Manager.

DOCUMENTS COVERED BY COLLECTING BANKER'S PROTECTION

It has been noted that Section 82 applies to cheques only. Other bills of exchange do not come within its ambit.

Conditional Orders, such as orders to pay drawn in cheque form where payment is conditional on the due completion of

PROTECTION AFFORDED COLLECTING BANKER ON VARIOUS MONEY DOCUMENTS

Documents	Protection	Remarks
Crossed Cheques	Section 82, Bills of Exchange Act, 1882	As amended by Bills of Exchange (Crossed Cheques) Act, 1906
Open Cheques	None	Unless Banker is also a holder in due course
Bills of Exchange	None	do. do.
Promissory Notes	None	do. do.
Banker's Drafts	Section 82	When crossed—by virtue of Bills of Exchange Act (1882) Amendment Act, 1932
Paymaster-General Warrants	Section 82	By virtue of Section 17, Revenue Act, 1883—when crossed. But Warrants must not bear evidence of transfer and can therefore be collected only for the person holding himself out to be the payee.
Conditional Orders	Section 82	By virtue of Section 17, Revenue Act, 1883, when crossed, subject to same condition as for Paymaster-General Warrants.
Cash Orders	None	
Dividend Warrants	Section 82	By Section 95, Bills of Exchange Act, 1882
Interest Warrants (if not in form of a cheque)	None	Except Interest Warrants issued by the Bank of England for interest on Government Loans which appear to be within the protection afforded by Section 95 as above.
Money Orders	None	Post Office (Money Orders) Act, 1880, Section 3, purports to give the collecting banker a measure of protection but to come within its ambit the banker may not credit the account with the amount of the orders as "cash" before receiving the proceeds. Moreover, the Post Office reserves the right to reclaim the money paid in respect of such orders—at any time.
Postal Orders	None	

a receipt form printed thereon, and also *Warrants on the Paymaster-General* are brought within the protection of this section by virtue of the Revenue Act, 1883, Section 17. In the case of these documents, however, there is an important reservation that would appear to nullify the effectiveness of the protection: they must not bear evidence that they have been transferred. In other words, they should be collected only for the named payee, and the Banker would require the protection only if he had not, in fact, collected for the true payee.

Bankers' Drafts, too, although not strictly cheques, are now brought within the scope of the crossed cheques sections of the principal Act by the Bills of Exchange Act (1882) Amendment Act, 1932.

Dividend Warrants are by Section 95 also brought within the collecting Banker's protection, but not interest warrants, apparently, except those issued by the Bank of England for interest on Government loans.

PRACTICAL PROCEDURE

We are now in a position to summarize the duties of the receiving cashier when taking in a credit containing cheques or other money documents for collection.

1. See that all documents entered on the credit slip are present, and that each item is complete and in order. Particular notice must be taken of the following points—

- (a) Date; whether post-dated or "stale."
- (b) Endorsements; whether complete and regular.
- (c) Receipts; whether duly completed and, if necessary, duly stamped.
- (d) Body of instrument; whether inchoate, or whether altered without assent of drawer.
- (e) Stamp duty; whether stamped with British duty.

2. If crossed "a/c payee" or crossed to a particular account, the instructions must be observed.

3. Documents *payable to* a limited company, corporation, partnership, etc., should not be received for the credit of the private account of an employee, nor for the account of an employee's wife, nor for any body acting in a fiduciary capacity

for the payee. In particular, cheques payable to what is quite inaccurately described as a "one man" limited company may not be accepted for the credit of the director's private account.

4. Cheques *drawn by* a principal such as a limited company, corporation, partnership, etc., may not be received for a customer who is an employee or agent of such principal or the wife of an employee, unless expressly made payable to him or her as payee.

In all cases where cheques *drawn by* such principals and payable to a person other than the account-holder are tendered for collection, the cashier should refer, for instructions, to the Manager or his deputy.

5. All documents must be stamped with the Branch crossing stamp.

NIGHT SAFES

When a customer desires to avail himself of the facilities afforded by the Night Safe System, to pay in money overnight, he is given a special wallet which he must always use when placing anything in the Safe. He is also provided with a key for opening the outside door of the chute leading to the Safe.

The Night Safe itself is, as a rule, dual locking, a senior officer and the first cashier unlocking it first thing in the morning. The number of wallets found therein are noted in a Memorandum Book and signed by both parties. The number of each wallet and date of receipt should then be entered in detail in the *Night Safe Book* or *Wallets Book* and again initialed by the same parties.

The wallets are usually of two kinds, those of which the customer keeps the key, and those of which the Bank keeps a master key. The former is handed to the customer later in the day, when he has signed for it against the entry in the Book. He then, as a rule, unlocks it at the counter and pays in the contents to the receiving cashier in the usual way. The cashier opens the second class of wallets himself. A duplicate credit slip is already enclosed with the money and the customer expects the Bank to check the contents and credit his account. The empty wallet with the duplicate credit slip, duly receipted

by the cashier, is called for later in the day by the customer or his agent, either of whom then signs a discharge opposite the entry in the Night Safe or Wallets Book.

Should any discrepancy appear in the money entered on the credit slip and the money actually in the wallet, the Manager or his deputy should be informed immediately. He then takes steps to verify the difference and to get in touch with the customer at the earliest opportunity. If the customer agrees with the alteration, he should sign the amended credit slip.

CHAPTER XII

SECURITY WORK

THE WORK AND QUALIFICATIONS OF THE SECURITY CLERK

THE work of the Securities Department is perhaps the most interesting in the Branch routine. The securities clerk has a position of responsibility, and his daily work is seldom tedious or monotonous. The keen man is always learning something new, and accumulating a fund of useful information seldom found in textbooks.

The position requires a clear and orderly intelligence. The man who merely muddles through, whose desk is always an untidy heap, will sooner or later meet disaster in this department: a drawn bond missed or an error in a stock order may prove an expensive mistake to the Branch.

In a very small Branch a good deal of the security work is dealt with by the Manager himself, but in a large Branch it is often necessary to detail two or three men for the work, and assign them a separate part of the office.

The work falls, roughly, under two headings—

I. The record and custody of “valuables,” apart from cash, entrusted to the Bank for safe keeping.

II. The care of all those documents of title, guarantees, life policies, bonds, certificates, lodged with the Bank as security for advances, and all the duties involved in the maintenance of the title to that security and detail work connected therewith.

These two groups may be designated briefly as safe custodies and securities respectively. The first is the more particular concern of this chapter; while a summary of the work involved in completing and maintaining the Bank's charge or lien on “securities” is dealt with in the following chapters.

FUNDAMENTAL PRINCIPLES

The essential features of a good system for dealing with safe custodies and for securities have been described as—

1. Safety.
2. Accuracy and precision of Record.
3. Accessibility.

1. *Safety.* Surely, the reader might think, this is very obvious. Yet it must be remembered that, in addition to the usual banking provisions for safe keeping—vaults, strong rooms and safes—safety also involves a system of complete surveillance while articles are in the office, and a watertight system of checking all securities entering or leaving the Branch.

2. *Clear Record.* All items must be clearly and concisely recorded in the books, the entries being independently checked as a matter of routine, so that a complete description of everything kept in the Strong Rooms should be observable from the record books alone. A good system of books, clear records, and efficient indexes are essential, though over-elaboration may be a hindrance rather than a help.

3. *Accessibility.* Storing must be done with as much care as recording. The security clerk should be able, if called on at any time, to produce within a few minutes all the securities held in the name of a customer. This can be done only if all items are legibly labelled and filed or stored in accordance with a carefully thought out system, which, once initiated, is rigidly kept.

ARTICLES ACCEPTED FOR SAFE KEEPING

As a general rule, a Banker will accept for safe keeping only those things which are of "value," either intrinsically or to the depositor because of association, and which are of small bulk. Items other than stock exchange securities he prefers in a locked box or sealed parcel. Safe custodies therefore include—

- (a) Boxes, parcels, plate, etc.
- (b) Sealed envelopes, wills, etc.
- (c) Stock and share certificates.

(d) Allotment letters, scrip certificates, and similar documents.

(e) Bearer Bonds and all stock exchange securities to bearer.

(f) Deeds and documents of title to land.

Since a number of the items represented by the above list may at one time or another be used as collateral for an advance, it frequently happens that the same items appear in the Bank's books at one time as "Safe Custodies," and at another as "Securities."

GENERAL CONSIDERATIONS FOR CARE OF SAFE CUSTODIES

The general system for recording and storing securities at the Branch will be dictated by the Head Office, in order to establish uniformity throughout the Bank. Nevertheless, enough latitude is given in these instructions to allow for their adaptation to the peculiar requirements of the work in each Branch.

The broad outline of the systems adopted by the great Joint Stock Banks in this country naturally shows a great similarity existing, since the work and the problems involved are the same. In minor points of procedure systems may differ. Some Banks, for example, give a receipt for all securities deposited, and insist on the production of this "Numerical Note" before allowing items to be withdrawn. Other Banks, although they may give such a receipt, do not make production of it necessary to effect a withdrawal.

A comprehensive *Security Ledger* provides, perhaps, the simplest method of recording. There, each customer is allotted a separate page as in a current account ledger, and all items as deposited by him are entered on one side, and all withdrawals on the other; "safe custodies" being differentiated from "securities" by entry in separate columns. Such a ledger has the merit of comprehensiveness, the whole of the customer's dealings with the Bank in respect of securities of any kind being recorded under his name. On the other hand, the attempt to keep all entries in one book may prove, in practice,

somewhat clumsy in a busy office, and the large number of transactions of a varying nature on the same page may lead to some confusion or obscurity.

There is less excuse for mistake or confusion where separate books are kept, as in most Banks, to record the various classes of securities deposited. This analysis may be carried to any desired degree but, in practice, it is found that a division into three groups as illustrated below is generally sufficient—

1. *Safe Custodies Register*, recording stock exchange securities.
2. *Securities Register*, recording items charged to the Bank.
3. *Boxes and Parcels Register*.

For the sake of added clarity, and to facilitate an audit, the amount of all "Bearers" may be entered in separate columns. In addition to the foregoing registers, in some cases all securities held in the name of each customer are recorded in brief on cards, kept in a Central Card Index in alphabetical order. Thus a comprehensive record is obtained without losing the convenience of the special registers.

Yet a third variation for recording securities may be obtained as follows—

1. *Securities Register*, recording all securities, except "Bearers," held by the Bank on behalf of each customer, those charged to the Bank being noted in a separate column with particulars of the Form of Charge under which they are held.

2. *Boxes and Parcels Register*.

3. *Bondholders' Register and Bond Register*, used solely for "Bearer" securities whether lodged for safe custody or for "security."

In addition to the main books of record, some or all of the following subsidiary Memorandum Books, or Cards may be used—

- (a) *Guarantors' Register*.
- (b) *Policies Register: Fire and Life*.
- (c) *Premium Book*.
- (d) *Coupon Register or Diary*.
- (e) *Indemnities Register*.

- (f) Executors' Undertakings Register.
- (g) Powers of Attorney Register.
- (h) "Bearer" Index Cards.

STORING

Nearly as important as a clear system of recording is a good method of storing. The system adopted largely depends on the amount of securities to be dealt with, and the space available. "Safe Custodies," "Securities," and "Bearers" may be stored in separate containers or lockers in the Strong Room. "Bearers" only may be kept separate; then those securities charged to the Bank are noted by a special ticket attached to the Certificate or Bond and accompanied by the Bank's Form of Charge.

Where the holding of certificates is large, handling is facilitated by marking each document in pencil with the Register and folio where recorded. It is usually convenient to keep *Deeds of Property* in a separate container, the Deeds being kept together by tape, with the Form of Charge, if kept with the deeds, on top and other documents in order of importance to the Bank. *Fire Policies* together with the last renewal receipt may be kept in a separate file. *Guarantees*, also, may be kept in a special file in alphabetical order of accounts guaranteed, agreeing with the Register of Guarantees. *Life Policies* may be kept in alphabetical order of customers in a Life Policy Register under Premium Renewal Dates, and indexed under customers. *Other Forms of Charge* may be kept in Deed Envelopes in alphabetical order of customers.

BEARERS¹

Because of the peculiar problems associated with their care, it is usual to keep "bearer" securities quite separate for storing, and, in many instances, in recording also. All such documents are fully negotiable instruments and as such require special supervision and treatment.

"Bearers" include all those securities the title to which is transferable by mere delivery—

- (a) Bonds and Debentures to Bearer.

¹ See also Exchange Control Act, 1947, on page 133.

(b) Share Certificates to Bearer.

(c) Bearer scrip.

(d) American Share Certificates in "Good Market Names," endorsed in blank.

For convenience it is usual, also, to include other securities the dividends or interest on which are payable on presentation of a coupon, with the "Bearers" although they may not be negotiable by delivery, or endorsement and delivery alone, e.g. Registered Bonds with coupons attached.

There are many possible ways of recording and storing these bonds. Each security clerk of experience is certain that his own system is the best, and is not slow to defend it. In general there are two schools of thought.

The first hold that all bonds should be sorted in *alphabetical order of customers'* names. As a variation Safe Custodies may be sorted first A-Z, then Securities A-Z.

The second insist that all bonds be kept in *alphabetical order of bonds* in separate bundles according to coupon dates.

In the latter system, all bonds with coupons maturing in January and July are kept in one batch, the bonds being sorted in alphabetical order of the name of the issue with a secondary alphabetical sorting under customers' names for each bond issue. February–August maturities are kept in another batch, and so on. Then a separate batch is kept for quarterly payers, one for those payable by advertisement or notice, and one for "Non-Payers." Nine batches in all are thus maintained.

The advantages of the first system may be briefly stated. Checking with the Record Books is facilitated, and there is a great saving of time in sorting away or withdrawing items. The second system shows a great economy in the routine work connected with the bonds, such as cutting off coupons, exchanging bonds under conversion schemes and similar operations. But more time is required to extract or sort away bonds for any one customer, particularly if he has many holdings. In both systems it is a general rule to keep Bearer Scrip, Allotment Letters, and similar provisional documents in a special case so that they may be under constant supervision.

Some Banks keep a *Bearer Bonds Register* which shows a complete record of all "Bearers" held. Others rely on Card Indexes for all reference purposes. For example, two Card Indexes may be kept. The first records merely the total of bonds in the Branch for each issue. The second index records details of the holding of each customer, a separate card being made out for each bond issue held. These are sorted first under bonds and secondly under customers.

RECEIPT AND DELIVERY

Although a receipt or Numerical Note may not be an essential part of a banking routine, most customers feel happier with some written acknowledgment of items entrusted with the Bank for safe keeping. Such a receipt must be carefully compiled and checked before being issued to the customer.

The Receiving Clerk should observe that all boxes as received are locked; that all parcels are securely tied and sealed; that all envelopes are firmly stuck down, and each flap sealed. For preference, the seals should bear the impression of the customer's signet ring, but in lieu of this he should be asked to write his name across the sealing wax. Bearer Bonds should be examined to see the relative coupons are attached, including the coupon next due, and all unpaid coupons if any.

Where the name of the customer is not printed on a box, it is a wise precaution to attach a label with his name clearly written on it. This will assist in its identification in the strong room, and will prove useful if the Bank's register number be knocked off.

Before any item is taken out of the strong room, even for a short period, it should be entered in the *Safe Book*, which is kept in the strong room for this purpose. Similarly, it is important when an article is received for safe keeping that it should be entered immediately in the *Securities Received Day Book*, or in the exceptional case where such a Journal is not kept, straight into the record book. Once the item has been entered, the subsequent routine can be completed at leisure without fear of the articles being overlooked. The *Securities Day Books* or "*In*" and "*Out*" Books preserve a complete journal entry of

INDEX CARD FOR BOND TOTALS

Description of Bonds, etc.	Date	Total	Date	Total	Interest {	
					Dates	1st Jan. 1st July.
Danish 3½% 1901						

Date	Total	Date	Total
13/3/34	£400		

INDEX CARD FOR BOND DETAILS

Description of Bonds, etc.	Date	Total	Date	Total	Interest {	
					Dates	1st Jan. 1st July
Danish 3½% 1901						
Account Holder					Register	S/C
					Folio	8

NUMBERS			No.	Denomina- tion	Amount	Sterling Equivalent
20934	20935	20936	20937	4	£100	£400

the Branch dealings with all securities. An example of a ruling for a *Securities Received Day Book* is as follows --

Date of Receipt	Name of Customer	Description of Securities	Amount of Bearers	Record Book Folio	Initials

and a ruling for a *Securities Delivered Day Book*—

Date of Delivery	Description of Securities	Amount of Bearers	Name of Customer, and Explanation of Withdrawal	Record Book Folio	Initials

DELIVERY ORDERS

Although a Banker may disclaim all knowledge of the contents of a box or parcel, he will certainly be liable for the value of the articles contained therein, if he delivers to the wrong person under a forged delivery order. One need refer only to the celebrated case of *Mrs. Langtry v. The Union Bank of London* which was settled by judgment for the plaintiff, by consent, for £10,000, to realize the importance of delivering to the right person.

If a delivery order is presented by a person unknown to the security clerk, the customer's signature to the order should be scrutinized with some care. If he has any doubt as to its genuineness, or of the bona fides of the presenter, the matter should be referred at once to the Manager or to his deputy. Should the circumstances warrant such a course, the Manager may delay in fulfilling the order, until he gets in touch with his customer direct to confirm the order.

Where articles are deposited in joint names, the signatures of all parties are necessary for their withdrawal unless a mandate for withdrawal by less than the full number of depositors is held; in the case of death of one of the bailors the authority of his legal representatives should be obtained before delivery.

Where the Banker receives a written authority from his customer to allow a person to have access to the box or parcel, unless this order expressly provides for it, nothing should be taken away, and it may be necessary to detail a clerk to watch, as unobtrusively as possible, to see that all items are replaced, however trivial some of these articles may appear.

STOCKS AND SHARES SAFE CUSTODY BOOK

An example of a Safe Custody Book recording Stock Exchange Securities is shown on the next page.

Some care is necessary in filling in the description of securities held; it should be concise yet complete. The most important part of the title should be stated first. If there is a doubt how to describe certain stocks, reference should be made to the Stock Exchange Official List or the leading financial newspapers. A superficial glance at a certificate or bond is not sufficient to record it accurately.

Share certificates, for example may refer to 1st Preference, 2nd Preference, Cumulative Preference, Cumulative Participating Preference, or any other of the descriptions into which the capital of a company may be divided, and only a careful scrutiny of the certificate may reveal the particular part of the capital which it represents.

COLLECTION OF COUPONS

The collection of coupons is a somewhat tedious but important part of the routine of Securities Department. This is a duty which the Banker undertakes as part of the routine care of all bearer securities in his hands, and he is responsible for any omission to present coupons at the due date. That is why any security system must include adequate provision, in some

STOCKS AND SHARES SAFE CUSTODIES BOOK

ADAMS, ALFRED

Date of Lodgment	Amount of Bearer	Description	Coupons, Dividends, etc., when Due	Examined	Date of Withdrawal	Signature	Initials of Delivering Clerk
1946 May 15	£400	<i>Brazil 5% 1913</i>	1st April 1st Oct.	S. C.	1947 Mar. 18	Sold see Stock Order C/A cred. £202/10/6 22/3/47	F. T.
Oct. 18	£2 10s.	Nos. 20934/7—4/£100 <i>Brazil 5% 40 year Funding Bonds 1931</i> Fractional Scrip No. 04004					
30		75 shares <i>Hawker Siddley Aircraft Ltd. 5% Cumulative Preference</i> £1 each fpd. No. 1546					
		~~£400~~ ~~3 1/2% War Stock~~ ~~Cert. No. 34956~~					
Nov. 2		£45 <i>Courtaulds Ltd. Ordinary Stock</i> fpd. Cert. No. 381007					
		~~£400~~ ~~<i>Japanese Gov. 6% Sterling Loan 1904</i>~~ ~~10th Jan. 10th July~~ ~~100 No. 60070~~					
20		100 shares <i>Ever Ready Co. (Great Britain) Ltd.</i> Ordinary 5s ea. Allotment Letter No. 1032					
Dec. 4		£100 <i>3 1/2% War Stock. Deed.</i> Cert. No. AC/49967			1947 Jan. 14	A. Adams	F. T.
25		500 certs. <i>National Savings Certificates</i> 5/100 v.v. 128947/51 purchase price £400. 25/12/32		A. B.			

form of diary, of the due dates of all "Bearers" in the Branch. Coupons due only on advertisement or notice must necessarily be under constant review, and the due dates sought for in the financial advertisement columns of the daily newspapers, or in the *Bondholder* or official Lists. All such supervision is troublesome and perhaps onerous, yet the Banker accepts it cheerfully as part of his service to his customers.

A good deal of the work connected with the actual presentment of coupons and collection of the proceeds is usually passed on to the Central Coupon Department of Head Office. The duty of the Branch is completed by cutting off coupons due, listing and totalling on the requisite forms, and receiving and crediting to the relative accounts the proceeds as remitted by Head Office. In order that Head Office may have time to collate the coupon remittances from all Branches, they must be forwarded at least one month before the due date. The Branch diary system must allow ample time for the cutting off and listing of batches of coupons due, so that they may be sent off within the prescribed period. This is particularly important at the heavy due date periods.

Where the bonds are stored as in System II described above, that is in coupon date order, the routine work connected with their collection is fairly simple, since one batch of bonds or at most two are affected at any one time.

LISTING COUPONS

The general system of listing and forwarding coupons is dictated by the Central Coupon Department at Head Office. Listing can be done in several ways. In one of them the coupons are listed direct on to credit slips, two copies being made at the same time by means of carbons. The slips are marked 1, 2, and 3. Parts 1 and 2 are forwarded to Head Office with the coupons attached, while Part 3 is retained at the Branch to be carefully filed for use in compiling a tax-paid certificate, where a customer claims a remission of duty. Where there are a number of bonds of the same issue for several customers, the coupons for the issue are listed on a *Various Persons* credit slip for Head Office, the detailed 2 and 3 slips

for each customer being made out at the same time, and retained at the Branch. When Head Office remits the proceeds to the Branch, it returns Part 2, and retains Part 1 for record purposes. Part 2 is used thereafter at the Branch in the usual routine as a credit slip.

Another method of listing is where the coupons are first entered in a *Coupon Remittance Book*, which can be called back with the Bond Register as a check against errors and omissions. The coupons are then listed under bond names and remitted to Head Office. Credit slips can be made out at the Branch at a later date, and agreed in total with the amount advised by Head Office as the amount due to the Branch in respect of coupons forwarded.

Tax certificates may be made out in lieu of credit slips, at the time the coupons are forwarded for collection; then on receipt of the proceeds, the certificates are completed by deduction of tax and signed.

COLLECTION OF COUPONS FOR CUSTOMERS RESIDENT ABROAD

Certain customers resident abroad are exempt from paying British income tax, but an affidavit must be sworn at each presentment attesting the fact, giving particulars of the security and the place of residence of the customer. Special forms for this purpose are supplied by H.M. Stationery Office, the necessary details being filled in at the Branch, and the form forwarded with the coupons to Head Office.

COUPONS PAYABLE WITH AN OPTION

Coupons payable in foreign currency require special scrutiny. Some are payable in various financial centres at the option of the holder; it may be at fixed rates of exchange or according to advertised rates. Where for, example, coupons are payable in London in sterling or in New York in dollars, the rate for conversion into sterling being fixed at the old mint par of exchange, and the current rate of exchange is below this figure, it pays the customer to instruct his Bankers to collect the coupons in New York, and convert the proceeds into

sterling. Consequently, the Banker should secure the definite instructions of his customer when receiving for collection coupons which contain an option.

APPLICATION FOR FRESH COUPONS

When the last coupon has been detached, and the bond has not been repaid, a new sheet of coupons may be obtained on application to the issuing house. To facilitate procedure, a request strip is often attached to the bond, called a "talon," bearing the same number as the bond. This, when presented, entitles the "bearer" to a fresh sheet of coupons. Where no such "talon" is attached, the bond itself must be forwarded with the request.

But orders in Council came into force on 13th May, 1940, and 26th October, 1942, which made approval by or on behalf of H.M. Treasury a prerequisite for the issue of bearer securities in all cases. In addition, when coupons for interest on bearer securities become exhausted, approval by or on behalf of H.M. Treasury is required before new coupon sheets may be issued.

On 13th June, 1940, a notice was issued by H.M. Treasury stating that permission for the issue of securities in a form transferable by delivery would not be given in any instance where it was possible to issue those securities in registered or inscribed form.

In order to encourage the re-registration of bearer certificates the Crown Agents for the Colonies, Bank of England and the leading banks have agreed, until further notice, to waive fees for re-inscription or re-registration and many Companies have reduced temporarily the fees previously charged.

IRREGULAR PAYERS

Irregular payers are very troublesome and are a constant source of anxiety to the security clerk. He must be ever on the alert to see a notice of payment of interest, and must constantly peruse the financial columns of *The Times* or other leading daily newspaper for any information regarding these

issues, though this information is usually repeated in the *Bondholder*, which forms his second line of defence. Fortunately the Head Office also circularize Branches with notice of coupon dates of the most important of these irregular payers, but these notices should be regarded in the light of reminders and not as a substitute for original information. Where possible this daily search should be duplicated and undertaken by two responsible officials to obviate the possibility of anything being overlooked.

DRAWN BONDS

Similarly, notice of bonds drawn for payment should be searched for daily. Missed drawn bonds are the *bête noire* of the Branch Manager. Failure to forward a bond drawn for payment will almost certainly mean a loss of interest, even if it does not entail a loss of capital.

Experience has demonstrated that it is fatally easy to overlook a drawn bond number belonging to a Branch customer, even by the most careful security clerk, and these lists therefore should be compared with the Branch Records by at least two responsible officials. It is well worth while giving some thought to the devising of a watertight system in the Branch for this purpose.

ROUTINE WORK IN CONNECTION WITH NEW ISSUE

Besides the various duties outlined above, the Banker is quite willing to undertake the responsibility of all the routine duties connected with certificates and bonds left in his care, payment of calls, exchange of scrip for bonds, and so on.

To illustrate a number of these duties we will consider in brief outline the course of a new issue of capital by a company and the Banker's duties connected therewith.

A customer reading a *prospectus* of a new issue of shares or stock may decide to invest. He fills in the *Application Form* appended to the prospectus, and hands it to the Branch Manager or security clerk with instructions to debit the account for all calls. Some Managers insist on these instructions being put in writing and signed by the customer.

The Application Form accompanied by a remittance for the sum due on application is forwarded to the issuing authority, and if the application is successful, an *Allotment Letter* is received by the customer showing—

(a) The number of shares or bonds or amount of stock allotted.

(b) The instalment now due.

(c) The due dates and amounts of instalments as laid down in the prospectus.

(d) The date when the certificate, scrip, or bond will be ready.

When the Allotment Letter is left with the Branch for attention, the terms must be perused with care, the due dates diarized, including the arrangements for exchange for the permanent document of title, and finally details of the Allotment Letter itself entered in the Record Books.

There is one point to be noted here. Should the customer desire to realize the holding allotted to him, he may do so up to a certain time specified in the Allotment Letter, merely by signing the *Letter of Renunciation* printed on the back of the Allotment Letter, renouncing the amount allotted in favour of another person. The latter may complete the transfer by signing the *Form of Acceptance*, transfer fees thereby being avoided. After the specified date a full transfer is necessary, attracting an *ad valorem* duty. The *Rights* attaching to the Allotment Letter may be sold in the usual manner through a stockbroker.

If the applications for the new issue are very heavy, the customer may receive instead of an Allotment Letter a *Letter of Regret* informing him that the issue was over-subscribed, and regretting that his application cannot be considered, and returning the application money.

In some issues the allottee must pay in full on allotment. In others the sum may be paid in *instalments* with occasionally an option to pay in full before a certain date, when a small discount is allowed, and the customer should be asked whether he desires to take advantage of this option.

The amount due on allotment, and subsequent instalments, are paid over to the issuing authority by Banker's Payment,

the account of the customer being debited with the amounts so paid.

A form of receipt and a tear-off docket is printed at the foot of the Allotment Letter to facilitate these payments. Where the same Bank is the issuing authority, the receipt may be signed at the Branch, the amount and appropriate docket being forwarded to the New Issue Department. In other cases the Letter is forwarded entire with the payment either through the machinery of the Head Office, or to a local branch of the Issuing Bank for receipt.

In case of *inscribed stock* or, as it is sometimes called, *book stock*, no document of title is issued when the holding is inscribed, but a Stock Receipt only, showing the amount inscribed in the customer's name in the books of the company or issuing authority. If the issue is of *registered stock* or *shares*, then the Allotment Letter indicates when the *certificate* of title will be ready.

As far as an allotment of bearer bonds is concerned, the bonds themselves are often preceded by an issue of *Scrip Certificates*, these serving as provisional documents of title to "bearer" until the definitive bonds are ready for issue. Scrip certificates may be sold and pass from hand to hand in fulfilment of any bargains that may have taken place in the partly paid security, consequently they should be included among the records of all "Bearers." They should receive as much care as the bonds; indeed they should be under the constant care and supervision of a senior in a special file or case reserved for partly paid scrip, Allotment Letters, and similar documents.

It frequently happens that some months elapse before the bonds are ready and in the meantime interest payments may fall due. To enable the holder to claim this sum, a *Scrip Coupon* may be attached to the Scrip Certificate. If this is the case, the due date of the coupon must be carefully diarized in the usual Coupon System.

After the exchange of the provisional document for the definitive document of title, and after the completion of the necessary alterations in the Record Books which this change necessarily entails, all that remains is to keep an eye open for

any change of capital such as drawings in the case of bonds to bearer or reduction or alteration of capital in the case of shares and to collect the proceeds for any coupons, where attached, on the due date. Bond drawings have already been discussed. Alteration of capital is generally advised to the customer direct, and he will no doubt pass on the required information and instructions to his Banker, but the security clerk should be alert for notice of any such change notified in the Press. If the change is in the form of an option to join a new company, to take up fresh shares, assent or dissent to a proposed alteration of capital, then, of course, the right of action rests entirely with his customer, and the Banker cannot move except under direct instructions.

BUYING AND SELLING STOCKS AND SHARES

Orders for buying or selling stocks and shares on behalf of a customer may be received by the Banker by telephone or letter. In either case the order must be explicit and definite, particularly in reference to the following points—

(a) Whether the order is “for cash” or “for the account.” *N.B.* Government Stocks are “for cash” only, but for others it is possible to arrange a special deal in most cases, “for cash.”

(b) The exact description of the security, and whether bearer, registered or inscribed.

There may be old and new shares of the same denomination but with separate quotations. A company may have two issues of preference shares, one carrying participation rights.

(c) The exact terms of the transaction.

These must be definite. A limit order must state a figure, for example, “Sell at not less than 16s.,” or “Buy at not more than 16s.” “At the lowest price” or “at the highest price” are objectionable and ambiguous phrases, since they might mean that the deal is to be put through at the best possible price during the day, which is obviously an impossible order. “Buy at best” or “Sell at best” are safer descriptions.

(d) The exact amount to be purchased or sold.

“Invest £100” means that the final debit to the account including commissions must not exceed £100. “Buy £100” means that £100 of security is to be purchased.

(e) Where an order to sell and an order to buy are given at the same time; whether the order to buy is dependent on a successful sale. If so, the order should clearly state the fact, and it should be put through as an "exchange" order, for as such it is subject to lower commission charges.

Bearing in mind these questions, the stock clerk enters the order in the *Stock Order Book* and obtains the signature of the customer to it. If the instructions are received by letter, a note should be made in this book where the letter is filed. Written confirmation of oral instructions should always be sought from the customer. If the order is urgent, it is telephoned to the Branch stockbrokers direct, and confirmed in writing later.

EXCHANGE CONTROL ACT, 1947

This Act, which came into force on the 1st October, 1947, introduces new controls in relation to securities and continues, with modifications, other controls which had previously been exercised under the Defence (Finance) Regulations, 1939.

Under the Act holders of certain types of securities, mainly "Bearers," are required to deposit them with an Authorized Depositary, who has certain duties in relation to the deposit, holding, and withdrawal of these securities. Offices in the United Kingdom of certain listed Banks are Authorized Depositaries and the securities and safe custodians clerks and anyone dealing with the particularized securities must comply with the Notices given under the Act. These may be added to or amended from time to time and the clerk concerned should make sure that his copies are kept up-to-date and always on hand for ready reference, particularly when dealing with any bearer securities. The necessary forms which must be used in connection with these regulations have been issued; copies are available at every Branch, and it is suggested that an example of each be at hand when studying the Notices.

In particular it is suggested that the Security Clerk memorize the securities indicated in E.C. (Securities) 1, Part I, e.g. those which if physically held in the United Kingdom, must now be deposited with an Authorized Depositary; or if held outside the United Kingdom, under the direct or indirect control of a

CHAPTER XIII

SECURITIES AGAINST ADVANCES

THIS chapter is addressed more particularly to the security clerk, as distinct from the safe custodies clerk. In some Banks he is held jointly responsible with the Manager for the correctness of the security held against an advance, and for the necessary completion of the Bank's charge against it. It is no part of his duty to see that the security offered is acceptable or provides adequate cover, that being the responsibility of the Branch Manager, whose duty it is to decide whether an application for an advance is a banking proposition or not. The Manager, too, must decide whether the status or trustworthiness of the customer is such as to warrant an "unsecured" advance, or whether a deposit of collateral security is essential. He must also judge the adequacy and acceptability of any securities proffered. His long training under the British banking system and his accumulated experience equip him for this part of the work. In any case, should he wish to seek a specialist's opinion on any knotty point, he can turn to a number of textbooks dealing exhaustively and authoritatively with each type of security.

The security clerk, however, in the rush of important detail work, finds little time in the day to seek information in weighty textbooks and a presentation in condensed form of routine work in taking and completing securities against advances may be of some assistance to him. But he must bear in mind that while here, as in other parts of this book, the broad principles involved are given, and an outline of the general practice and any variation by individual Banks is stated wherever possible, he must of necessity follow the particular course directed by his own Head Office and observe implicitly the rules laid down for his procedure.

Now first a few remarks as to his duties and responsibilities. We have already mentioned that he must see that the securities lodged as collateral for an advance are what they are described

to be; that the customer has the power to charge them; and that the necessary formalities connected therewith are completed so as to give adequate cover and control. So during the period of the advance he must watch the security position, keep up to date values in the Security Register, and where a drop in market prices threatens to reduce the margin of cover below that considered necessary, then he must keep his Manager informed so that he may judge what steps should be taken. Where periodic payments must be made to keep the security alive, such as rents, fire and life premiums, then the diary system and check should be such that any failure to carry out any specific obligation on the part of the customer is spotted in time, so that, if necessary, the Bank can protect its own interest.

The security clerk will, of necessity, be concerned with the preparation of forms of application or renewal for advances which require sanction by the Head Office; he must set out the security position clearly and concisely. He should, too, report any circumstance which comes within his notice and which affects the position of the borrower or which gives an indication of a weakness in his financial standing. Such specialist publications as Stubbs and Perry's Gazettes, listing registration of Bills of Sale, County Court judgments, bankruptcies, dissolution of partnerships, etc., must be scanned with some care. He will to his sorrow find certain of his advances labelled "doubtful," if not even more briefly "bad," and they will be the subjects of voluminous correspondence.

It is at this stage in the Bank Clerk's career that his technical knowledge will be tested and tried to the full. The many hours spent in poring over textbooks will then prove their value. Even if every detail of the expert's advice be not remembered the knowledgeable security clerk will at least know where to seek guidance for any particular point at issue.

FORMS OF CHARGE

The mere deposit of certain documents, such as bearer bonds, is sufficient to give the Banker an adequate title. Other securities need a more formal and detailed procedure. In

BANK'S FORMS OF CHARGE

Description	Stamp	No. of Days Allowed for Impressed Stamping	Remarks
Memorandum or Letter of Deposit, Stocks and Shares	Under Hand, 6d. Under Seal, 5s. per cent	14 30	
Memorandum or Letter of Deposit, Deeds	Under Hand, 2s. per cent	30	Drawn to cover advances to and other obligations of mortgagor or mortgagors.
	(Where a Power of Attorney Clause is included) 5s. per cent	30	A separate form is used for— (a) Advances to another, and (b) To Limited Companies.
Mortgage of Leaschold	5s. per cent	30	Release 1s. per cent on amount stamped to cover.
Mortgage of Freehold	5s. per cent	30	Used for advances to Limited Companies; but for other accounts only when such a course is specially desirable.
Charge of Land Certificate	5s. per cent	30	(a) Leaschold. (b) Freehold. (c) Advances to Limited Companies.
Charge over Contracts	2s. per cent	30	
Debenture Agreement	6d.	14	
Guarantee	Under Hand, 6d.	14	(a) Individual. (b) Two or more persons, or firm. (c) Limited Company.
	Under Seal 5s. per cent	30	If a company has power to give a guarantee, a resolution may be passed empowering a Director or other official to sign a guarantee on behalf of the Company. Unless the Articles require such a document to be under seal, the stamp duty will be 6d.
Assignment of Life Policy	Scale rates up to £50, on each £50 to £300, 2s. 6d. over £300 5s. per cent. (Stamp to amount of "sanction" limit, not face value of policy).	30	A special Form is used where one or more persons assign the policy as security for another's account. Re-assignment (30 days) 1s. per cent on amount stamped to cover.
Executors' Undertaking	6d.	14	For payment of funeral expenses and those in connection with the obtaining of probate.
Letter of Hypothecation	6d.	14	For merchandise advances.
Special Mortgage or General Charge	5s. per cent	30	
Building Society Forms	5s. per cent	30	Specialized Forms.

every case, even with negotiable instruments, Bankers have found from experience that it is a wise precaution to have a formal document outlining and defining the terms of the deposit, stating in detail the security deposited, and signed by the person or persons giving the security. Such documents are known as *Forms of Charge*. A typical list of such charge forms and the stamp duty attracted by each is given on page 138.

These forms have been very carefully compiled to give the Bank every legal protection, and are the product of the best legal minds, combined with the practical experience of the higher officials of the Bank. Every clause is essential. Any alteration, however trivial it may appear, may be sufficient to vitiate the whole of the Bank's right in the security; consequently, the general management of Banks seldom allows any tampering with the wording in these forms, and any proposed amendment must first be submitted to the Head Office for approval.

As a general rule then, the signing of a Bank's form of charge is a necessary preliminary to a "secured" advance. It is impossible to over-emphasize the importance of completing the form of charge and the Bank's title to security *before* the advance is granted or the customer is allowed to use the money. Seldom will any formidable difficulty be experienced in persuading an eager applicant to complete the necessary formalities to give the Bank a good title before the accommodation is granted. It may be quite another story, if the title is incomplete after the money has been handed over.

WITNESSING OF SIGNATURES

On some Forms of Charge the signature requires attestation by one or more and must be responsibly witnessed, preferably by an officer of the Bank either at the customer's own Branch or that of a conveniently situated office. If, exceptionally, a signature has to be witnessed by any party other than a Bank official or a solicitor the genuineness of the attestation should be ascertained and a note of the fact made on the Form of Charge by the Branch Manager.

In certain cases, for example where a woman is signing a Form of Charge by way of a third party surety, or a guarantee,

it is usual to insist that it be executed under the guidance of a solicitor acting independently for her. So also where the surety is illiterate certain precautions must be taken to ensure that the signatory fully understands the meaning of the form he is signing, and a record should be made of the steps taken to this end.

EQUITABLE v. LEGAL TITLE

A complete title to securities is given by the full legal estate, and the Banker taking such a title should be in an unassailable position. The customer, of course, retains his "equity of redemption," that is his right to redeem the property by repayment of the loan plus accrued interest, according to the terms of the agreement.

Anything short of a legal title gives an equitable interest only. Although it does not give the Banker a complete right to the property, it generally gives him power to complete his title, and it would certainly give him right against the proceeds in the event of a sale.

To take a legal title is, as a rule, more expensive than to take an equitable title. Indeed, in most cases an equitable interest may be obtained by mere possession of the documents evidencing title. When, therefore, a customer of undoubted character and adequate means requires a loan for a short period, and deposits securities as backing, the Banker frequently saves trouble and expense by resting content with an equitable interest against the property. He merely takes possession of the documents of title accompanied by a written record of the terms and reason for the deposit, these being incorporated in a document called a *Memorandum of Deposit*. This memorandum takes the form of one of the usual Bank's forms of charge.

Obviously the full legal title is in some cases preferable from the Bank's point of view, and it is invariably insisted on whenever there is the slightest doubt as to the borrower's capacity to repay. The equitable title, although often quite adequate and considered sufficient in general for S.E. securities, must be regarded more in the light of an exception to the general rule in favour of the undoubted customer.

EXCHANGE CONTROL ACT, 1947

Section 30 (3) of this Act, provides—

Except with the permission of the Treasury, no person resident in the United Kingdom shall lend any money, treasury bills or securities to any body corporate resident in the scheduled territories which is by any means controlled (whether directly or indirectly) by persons resident outside the scheduled territories:

Provided that this sub-section shall not apply where the lender after making such inquiries as are reasonable in the circumstances of the case does not know and has no reason to suspect that the body corporate is controlled as aforesaid.

The “scheduled territories” mentioned are defined in Appendix I of “E.C. (Securities) 1” the explanatory Notice issued by the Bank of England. This may be amended or added to at any time and if the security clerk has any reason to believe that the proposed borrower, being a corporate body, is controlled (whether directly or indirectly) by persons resident outside the United Kingdom he should consult an up-to-date list of “scheduled territories;” if the restriction applies to the particular case he should draw his Manager’s attention to the fact.

SPECIAL FORMALITIES FOR VARIOUS BORROWERS**LIMITED COMPANIES**

Apart, perhaps, from the private borrower this type of account gives the security clerk his main concern. When a Limited Company is applying for accommodation the security clerk will have to ascertain first—

- (a) Has it power to borrow?
- (b) How much? Is there any limitation as to the amount?
- (c) Any limitations as to security?
- (d) Is the purpose of the borrowing legal?

The answers to these questions he will find in the Memorandum and Articles of Association of the company, which must be carefully scrutinized. The following notes may give him some assistance—

Clause 3 of the Memorandum usually defines the company’s power to borrow and give security; but, even if not expressed, a trading company has implied power to borrow. It may be

mentioned in passing that, unless he has knowledge to the contrary, it is not necessary for the Banker to see that the borrowing is applied for the "proper purposes" as defined in its Memorandum.

Reference to the Articles will show whether they give the directors power to borrow on behalf of the company. If Table A—the model set of Articles attached to the Companies Acts—is adopted in full, the directors are given power to borrow by virtue of Article 71 if the company is registered under the 1908 Act, by Article 67 if registered under the 1929 Act, and by Article 79 if registered under the 1948 Act.

Any restriction on the amount the company can borrow will be found in the Memorandum; any limitation on the amount the directors can borrow on behalf of the company will be found in the Articles.

If Table A is adopted by the company and the relevant sections are not expressly excluded, the position as to the amount borrowed is as follows—

If incorporated on or before 30th September, 1906, the directors have unlimited borrowing powers.

If incorporated under the 1908 Act, Section 73 of the Table A limits the director's borrowing to the *issued share capital*, unless a general meeting authorizes otherwise.

If incorporated under the 1929 Act, Section 69 of the Table A applies and limits the director's authority, as in Section 73 of the previous Act.

If incorporated under the 1948 Act, Section 79, of the Table A applies which limits the director's borrowing to the issued share capital (*apart from temporary loans obtained from the Company's bankers in the ordinary course of business*) unless a general meeting authorizes an excess. But the Section goes on to recite: "nevertheless no lender or other person dealing with the Company shall be concerned to see or inquire whether this limit is observed." So that under the new Act and for Companies registered thereunder the Banker can assume that the Directors are fully authorized to borrow when arranging an advance for the Company if Table A is adopted.

In regard to the *purpose* of the borrowing it should be noted

that Section 54 of the 1948 Act provides that it is illegal for a Company to borrow or pledge security for the purpose of subscription to or purchase of, whether directly or indirectly, its own or its holding company's shares, with the following exceptions—

(a) where the lending of money is part of the ordinary business of a company;

(b) where the money is required in connection with the purchase of shares to be held by trustees for the benefit of the employees, including any director holding a salaried position;

(c) where the loans are made to employees, other than directors, for the purchase or subscription of fully-paid shares in their own right.

So also Section 190 of the same Act makes it illegal for a company to lend to its directors or to provide security or give a guarantee in respect of a loan to its directors with the following exceptions—

(a) anything done by an exempt private company;

(b) anything done by a subsidiary, where the director is its holding company;

(c) anything done to provide a director with funds for expenses incurred, or to be incurred, on behalf of the company provided the approval of the company in general meeting is obtained;

(d) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees.

REGISTRATION OF CHARGES

Certain charges must be registered on the Company Register at Bush House within 21 days of their creation. They are—

(a) A charge for the purpose of securing any issue of debentures.

(b) A charge on uncalled share capital of the company.

(c) A charge created or evidenced by an instrument, which, if executed by an individual, would require registration as a bill of sale.

(d) A charge on land, wherever situate, or any interest therein.

- (e) A charge on book debts of the company.
- (f) A floating charge on the undertaking or property of the company.
- (g) A charge on calls made but not paid.
- (h) A charge on a ship or any share in a ship.
- (i) A charge on goodwill, on a patent or a licence under a patent, or a trade-mark, or on a copyright or a licence under a copyright.

So also on a Register of Charges kept at its registered office a company must keep a record of all mortgages and charges specifically affecting its property, and of all floating charges. These will include charges on documents of title to goods, life policies and Stock Exchange securities.

The cancellation of a charge registered at Bush House is effected by filing a Memorandum of Satisfaction with the Registrar and this is done usually by the company, the Registrar notifying the Bank of the filing of the Memorandum, when the security will of course be taken out of the Security Register.

BORROWING FOR WAGES

Where borrowing is required to pay wages Section 319 of the Companies Act, 1948, gives the lending Bank the same right of priority in a winding-up as the clerk, servant, workman or labourer would have been entitled to if he had not received payment. The maximum amount for which the employee has such a right is £200 in respect of services rendered within four months preceding the winding-up. Where the position of the Company is such that it is desirable to rely on this Section the lending should be on a separate account in the Company's name specifically designated "Wages a/c." Such borrowing is usually the subject of report to the Head Office who will give guidance for the future conduct of the account.

PROCEDURE FOR BORROWING BY LIMITED COMPANIES, IN BRIEF

1. Obtain, if not already held, a copy of the Memorandum and Articles of Association, the latter being certified by the Secretary as up-to-date. Mark and extract the relevant passages dealing with borrowing.

2. Obtain, if not already held, a copy of the last Balance Sheet, duly certified by the Auditors; also a copy of the Trading and Profit and Loss Accounts for the period. Note the Issued Share Capital if borrowing is limited to this amount and see whether the Balance Sheet shows evidence of other borrowing, such as loans to Directors, etc.

3. Obtain a certified copy of the resolution of the Board authorizing the borrowing.

4. If there is a limit on the borrowing powers of the Company or the Directors, obtain a certificate from the Secretary that the proposed advance is within the powers, and obtain a further certificate at reasonable intervals thereafter while the Company is borrowing, whether by way of loan or overdraft. (This will not be necessary if the Company is registered under the 1948 Act.)

5. See that the security offered, if any, is in order (as explained in later pages) and prepare any necessary Charge Forms.

6. Before accepting security which must be registered on the Charges Register, as mentioned above, a search must be made at Bush House to see whether any prior charge exists. This is a personal search made usually through the Branch solicitors. Some Banks also search in the Company's own Register of Charges.

7. See that the charge is executed properly; if under seal, that the seal is properly affixed according to the relevant Article of Association; or, where under hand, that it is signed by the duly authorized official or officials. A certified copy of the resolution giving this authority should be obtained.

8. Register the charge, if required, at Bush House within twenty-one days of its creation. This may be done by the Bank or by the Company's solicitor but in either case a certificate of registration should be obtained and retained with the Charge Form.

9. Complete the records in the Security Register.

PARTNERSHIPS

All general partners should sign the Form of Charge pledging the firm's property even when a mandate is held giving

one partner authority to bind the firm, for an Equitable Mortgage only can be given by a partner unless there is express authority by Power of Attorney to bind the partnership by deed.

Any change in the partnership occasioned by death, bankruptcy or retirement of a partner dissolves the old firm and the account must be broken, particularly if it is desired to preserve the liability of an outgoing partner. A distinction should be made between security which is part of the partnership assets and security which is the property of one of the partners for there will be a difference in proof in the event of bankruptcy proceedings.

No overdraft should be allowed on a Solicitor's Client's account nor can any right of set-off or counter-claim be made against it for borrowing on any other accounts of the Solicitor concerned.

JOINT ACCOUNTS

On a joint account, joint and several liability should be established in any borrowing and this is usually provided for by the mandate obtained when opening the account. This should be referred to. If security is taken the Form of Charge usually establishes joint and several liability.

TRUSTEES

All borrowing by Trustees will be governed by statute or by the Trust instrument, if there is one. This should be examined to ascertain whether it gives power to borrow and to charge security, and in most cases the instrument should be submitted to the Branch Solicitor for his report on the powers contained therein. All Trustees must sign the Form of Charge. Trustees are generally jointly liable only, unless the Bank's Mandate Form or the Form of Charge provides also for several liability.

Executors and administrators are dealt with specifically in Chapter XVIII.

LIQUIDATORS

Liquidators may be controlled by the Court or by a Committee of Inspection. A liquidator in a compulsory winding-up has power to borrow and pledge the assets of the Company for

purposes of winding-up the Company without sanction of the Court. A liquidator in a voluntary winding-up of either type, Creditors' or members', may borrow; but the consent of the Court may be required in the case of a creditors' voluntary winding-up, or of the Committee of Inspection if appointed. In a member's voluntary winding-up the direction of the Company in general meeting may be necessary. The Head Office guidance should be obtained in all such borrowings.

UNINCORPORATED SOCIETIES OR CLUBS

Do not allow unsecured accommodation. Take specific security from an interested party to cover any borrowing and obtain a certified copy of the Committee's resolution authorizing the borrowing.

RECEIVERS

As a rule Receivers have power to borrow but the appointing authority, whether a Court or Debenture Holders, should consent.

TRUSTEES IN BANKRUPTCY

These have power to borrow, but only with the consent of the Committee of Inspection or Board of Trade.

TRUSTEES UNDER DEEDS OF ARRANGEMENT

These have no power to borrow as trustees, but they may be granted accommodation against their own personal liabilities.

CHURCHES

Borrowing should be granted on an account in the name of the Parochial Church Council and this must be authorized by the Council. If Church property is accepted as security sanction of the Diocesan Authority and of the Charity Commissioners should be obtained.

LOCAL AUTHORITIES

In general Local Authorities have powers to borrow conferred on them by various Acts of Parliament, including the Local Government Act, 1933, and the London Government

Act, 1939. So also have such Authorities as Drainage Boards, Water Boards and such Boards constituted under the Public Health Acts as have power to levy a rate; but this power is at present controlled by the Local Authority Loans Act, 1945. This enacts that borrowing must be taken from the Public Works Loans Commissioners unless the Treasury approves or makes an Exemption Order. An Exemption Order has, in fact, been made (S.R. & O. No. 680 of 1945) which enables a Local Authority to borrow from a Bank while various sections of the Governing Acts allow them to make temporary borrowings from Banks in certain circumstances.

Consideration of borrowing by Local Authorities may thus conveniently be considered under the following headings—

- (a) Long term;
- (b) Temporary.

Long Term Borrowing. The exemption Order mentioned above sets out the manner, purpose, and sources of the borrowing. All applications of this character usually require to be referred to the Head Office for their direction. The procedure is—

1. A certified copy of the resolution authorizing the borrowing must be obtained.
2. Where a Ministry is concerned a letter should be obtained from it sanctioning the borrowing.
3. A mortgage deed should be prepared by the Branch or Head Office Solicitors over the revenues of the Authority and particulars entered in Security Register.
4. Borrowing should be taken in the name of the Local Authority and not the Treasurer and is usually taken on Loan Account; a separate account being opened for different advances.

Temporary Borrowing. Temporary borrowing from a Bank by way of a loan or overdraft is empowered as mentioned above without the consent of the sanctioning authority for the following purposes—

- (a) for defraying expenses (including the payment of sums due by the council to meet expenses of other authorities) pending the receipt of revenues which are receivable by it in

respect of the period of account in which those expenses are chargeable and were taken into account in the estimates made by it for that period; or

(b) for the purpose of defraying, pending the raising of a loan which the council has been authorized to raise, expenses intended to be defrayed by means of the loan.

Under the Capital Issues Exemptions Order, 1941 (S.R. & O. No. 648 of 1941) borrowing under (a) above is limited to half of the total revenues received or receivable in respect of the period of account in question. Fortunately a measure of relief is afforded the Banker under the Governing Acts from making certain enquiries concerning the legality or regularity of Local Authority borrowing but this protection may not apply to Drainage and similar Boards, so that all care should be exercised by the Banker in this respect. The procedure is—

Obtain a certified copy of the resolution authorizing the borrowing. This should indicate whether the advance is required for (a) or (b) above. If for (b) a new resolution is needed for each financial year and the Treasurer should certify that the amount required is covered by pending receipts. In other respects procedure is as for Long Term borrowing.

BUILDING SOCIETIES

These may be incorporated or unincorporated. If the former, they may be Permanent or Terminating. A Permanent Society may borrow in all by way of deposits or loans up to two-thirds of the amount secured to the Society by mortgages from its members (less those more than twelve months in arrears or in respect of which the Society has been in possession for twelve months or longer). A Terminating Society alternatively may borrow up to a sum not exceeding twelve months' subscriptions on the shares for the time being in force and its Rules will show which alternative has been adopted. In each case the Rules may vary or further restrict borrowing. Unincorporated Societies also are governed by their Rules which must be strictly observed. The following is the procedure—

1. Obtain a certified copy of the resolution to borrow, which should always be by way of loan.

2. Obtain a copy of the Rules and mark those governing borrowing.
3. Obtain a formal certificate that its accounts and borrowing are in conformity with the Governing Acts and its Rules and renew this certificate periodically.
4. Prepare a Letter of Deposit (under seal) reciting in its schedule the mortgages being deposited as security.
5. Preserve a record in the Security Register of amounts outstanding on the mortgages listed in the schedules and periodically bring this up to date.

MARRIED WOMEN

Since the passing of the Law Reform (Married Women and Tortfeasors) Act, 1935, most of the financial disabilities under which married women were restricted have been set aside. There are one or two points still to bear in mind when lending money to a married woman.

1. Where property is pledged it may be advisable to obtain some proof that it is free and unencumbered. If purchased with husband's money a certificate that he has no rights in the property should be obtained.
2. If a married woman is interested in a settlement and the banker is relying on this he should, if the settlement was made before 1st January, 1936, ascertain whether it is subject to a restraint on anticipation.
3. Where a woman, whether married or a spinster, is signing a binding undertaking such as a Guarantee, it is preferable that she be separately advised by a Solicitor of the full import of the document in question.

MINOR (UNDER 21)

Borrowing should not be allowed on account of a minor, except only against a guarantee or third party security but the surety or third party should be made aware that he is liable as a principal and that he has no rights against the minor.

STAMPING

The correct stamping of a Form of Charge is a necessary part of the completion of the security. For although the Charge

may be complete and regularly signed, yet if it is not stamped or irregularly stamped it may not be actionable at law. In certain cases it is possible to regularize the stamping by paying a penalty as will be seen later.

Kind of Stamp. Most people are aware that there are two kinds of stamps on legal documents—impressed stamps and adhesive stamps—but far fewer know when one or the other must be used. The writer suggests that perhaps this is a confusing way to approach the matter. It will simplify things a good deal if the Security Clerk looks at it from the angle that there is really only one kind of stamping, impressed—for documents under his care—and that all documents can be so stamped.

All cases where adhesive stamps are allowed are to be regarded in the light of exceptions to this rule; therefore he need only remember the exceptions. In general all Forms of Charge subject to the fixed duty of 6d. can be stamped with adhesive stamps.

The second point to bear in mind is that certain documents require a particular kind of adhesive stamp. For example, certain Land Registry fees may be paid by affixing stamps to the Form, as with a Search Request Form; these, although adhesive, must be the special Land Registry Stamps purchasable at Post Offices.

Time of Stamping. Again we can state a general rule, and this is that documents should be stamped at the time of execution. This is possible with adhesive stamps which should be so affixed. But is it not possible with impressed stamping and so a certain time limit is allowed within which this may be legally done. The table of Charge Forms (p. 138) gives this for most of the usual Forms of Charge. A glance at this will reveal that the general rule is fourteen days for fixed duty stamps of 6d. and thirty days for all others.

Executed Forms of Charge should not be held undated and unstamped.

Amount of Stamping. Where *ad valorem* stamping is required the amount may be ascertained from the published tables, but first the Security Clerk must know the capital sum for which it is to be stamped. Most Charge Forms are drawn to cover

all moneys owing; then the amount to be covered by the stamping is the amount of the total possible advance and this will be the sanctioned limit in the case of a fluctuating advance. Certain Charge Forms contain a limiting clause which will determine the stamp. Where two kinds of Forms of Charge are held for the one borrowing, one bearing a fixed duty of 6d. and the other attracting *ad valorem* duty, the latter should be stamped to cover the whole advance even though the value of the security covered by it may not give this amount of cover. But where the *ad valorem* portion of the security comprises a very small part of the cover exception is often made to this rule at the discretion of the Manager or the Head Office. Where security is lodged in support of a guarantee the amount of the guarantee determines the duty on the Charge Form for the supporting security.

A word of caution may be given here with regard to recording of stamping of Forms of Charge in the Security Register. Since the increase in the *ad valorem* duties in the Budget of 1947 which became effective on the 1st August, 1947, it is possible to have a Charge Form stamped under the two scales. It will be manifestly impossible by reference to the amount of stamping only to ascertain the amount for which the document is stamped to cover; the date of the stamping must therefore be added in each case. Even this will involve a little calculation, which will be irksome if the information is wanted in a hurry, and it is suggested that the amount for which it is stamped to cover be recorded in red ink in the Register for every *ad valorem* stamping, whether old or new—or both.

Increasing Ad Valorem Stamping. Where the amount of the borrowing exceeds the figure covered by the stamping, whether by sanctioned increase or a purely temporary and unsanctioned excess, the Form of Charge must be stamped up to cover the highest figure of the borrowing. This must be impressed within thirty days of the first excess.

If the excess is overlooked or the time limit is exceeded the Form cannot subsequently be stamped up except under penalty. The amount of the penalty can be ascertained from the Inland Revenue Authorities and it is then for the Head

Office to direct at its discretion whether the stamping must be regularized.

Collateral Stamping. Briefly the position is this: Where there are two documents securing one advance and both are liable to *ad valorem* stamping, one of them to the full duty of 5s. per cent, this may be considered the primary security; the other is then collateral and as such attracts a duty of 1s. per cent only, with a maximum of 10s. But the primary must carry the full 5s. per cent duty; an equitable charge, for example, attracting a 2s. per cent duty cannot be used as a primary to carry collaterally stamped documents.

For example, suppose a Banker takes a legal mortgage of property to cover an advance of £1000 which he stamps £2 10s., and then to cover the same loan takes another mortgage on separate property, the second charge will be collateral to the first, and need be stamped 1s. per cent only, i.e. 10s.

Or again, after taking the first security for the £1000, the customer may desire a further £300, and deposits a life policy as additional security. The procedure then is to send the original mortgage form to be additionally stamped 15s., i.e., £3 5s. od. in all, and the assignment to be stamped for 10s. collaterally, i.e. the maximum.

The collateral security, in addition to the impressed red stamp, bears a blue "duty paid" stamp denoting the duty paid on the primary security. Consequently, if the primary security is later withdrawn, it will not affect the stamping on the collateral.

Should a third security be deposited after the first is taken away, then the second is treated as the primary security and the last as collateral. Moreover, there may be any number of collateral securities for the one primary.

CHAPTER XIV

STOCKS AND SHARES

Stocks and shares tendered as security may be conveniently discussed under the following headings.

1. Stock Exchange Securities.
2. American Type Share Warrants.
3. Post Office Issues.
4. National Saving Certificates.
5. Stock and Shares in Private Companies.

STOCK EXCHANGE SECURITIES

Stock exchange securities vie with title deeds to real property as the most popular cover for advances. They may be divided into three groups—

1. Bearers.
2. Registered.
3. Inscribed.

Bearers. This is an inclusive term which includes Bearer Bonds, Bearer Scrip, Share Warrants payable to Bearer and Debentures payable to Bearer. Since bearer bonds are fully negotiable instruments, the mere deposit of the bonds as cover for an advance is sufficient to give the Banker, who takes, in good faith, an absolute legal title. Nothing could be more simple. Nevertheless the Banker, ever cautious, prefers to enumerate the bonds in a Memorandum of Deposit, to avoid any argument as to the amount and reason for their deposit.

If the bonds are the customer's own property and already in the books of the Branch for safe keeping, the procedure necessary to transfer them to the Security Register, if kept separate from the Safe Custody Register, is very simple—

1. List the bonds on a Letter or Memorandum of Deposit.
2. Secure the signature of the customer to the Memorandum over a sixpenny adhesive stamp (or the stamping may be by

impressed stamp). It is as well also to get him to sign immediately underneath the Schedule of Bonds. This obviates the possibility of addition to the list without his knowledge, and also serves to identify the list without question, with that referred to in the printed text.

3. Rule out of Safe Custody Register, and indicate in the discharge column where the entry may be found in the Securities Register; enter in Securities Register and Index.

4. Make a note in the Bond and in the Coupon Book, if kept.

5. Add "Security" in red ink to the tabs attached to the Bonds.

If the bonds are in the possession of another depositary the usual routine for receiving bearer bonds into the Bank will have to be followed. This necessitates checking to see that they are regularly stamped, that coupons are in order and that the bonds are otherwise in a state of good delivery and, *inter alia*, an entry in all Bearer Card Indexes, Coupon Books, etc.

Registered Stocks. When a Banker accepts registered stocks or shares as security, he has to make up his mind whether he will insist on the full legal title being transferred, or be content with an equitable interest. Where the shares are partly paid, it would obviously be unwise to transfer the title into the name of the Bank, for then the responsibility of meeting further calls would also pass to the Bank. Even with fully paid shares or stock, it is not always necessary or even wise to insist on a complete transfer, this depending on the facts of the case and the position of the borrower. Where he is of substantial means, and the advance a purely temporary one, the Banker usually rests content with possession of the certificates, covered by a Memorandum of Deposit; he may not care to risk the possibility of friction caused by transferring the title. Nevertheless, as pointed out in the previous chapter, the equitable title must be regarded in the light of a concession. Certainly, where the Bank relies for repayment of its advances on the stocks and shares deposited as cover, they should always be registered in the name of the Bank or its nominees.

Shares in the Lending Bank. The Articles of Association of the Bank give it a lien on its shares for moneys due to it by the

registered holder. Consequently it is not necessary when such shares are lodged as security to take them under any Form of Charge. It is preferable to hold the certificate, to enter it in the Security Register and to give notice of the lien to the Bank's Registrar.

Blank Transfers. In some Banks it is the practice when taking registered securities under a Memorandum of Deposit to make out at the same time a *blank transfer*. This is a form of transfer signed by the owner, completed except for the name of the transferee, date, and stamp. The object of this form is presumably to give the Banker power, if the advance is not repaid according to agreement, to complete the transfer in his own favour. Unfortunately such a document appears to be of no value whatever, unless the company allows a transfer by common form and not by deed. For one thing a deed cannot be completed after signature is affixed. In any case such a transfer would appear to be unnecessary when a Memorandum of Deposit is signed, for therein the customer agrees in some such words as the following, to "undertake to execute any further transfers, deeds or documents which you may require me to execute for perfecting your title to the said stock, shares and securities, or for vesting the same in any purchaser or purchasers from you."

A further point: where blank transfers have, in fact, been taken they must not be completed for the purpose of selling where the customer is dead, bankrupt, or insane. This must be done by arrangement with the legally appointed representative, executor, administrator, receiver or trustee, as the case may be.

Where it is probable that reliance must be placed on the security for repayment of the advance and it is considered safe to leave the security in the customer's name, it is preferable for a completed transfer to be made out in favour of the Bank's Nominee Company for a nominal consideration of 5s. It must be dated and stamped 10s. but not registered with the Company. This procedure is not always possible where a special form of transfer is required. The choice then usually rests between a full legal transfer and a mere deposit of the documents of title accompanied by a Memorandum of Deposit.

Equitable Title to Registered Stocks or Shares. In this case procedure is as follows—

1. Take deposit of certificates.
2. List in the Schedule of a Memorandum of Deposit, and obtain the signature of the proprietor over a sixpenny postage stamp. Obtain also a signature to the Schedule.
3. Enter in the Securities Book, or Securities Ledger.
4. Give notice of the Bank's charge to the company. (Where the borrower is of high standing and the shares are fully paid and quoted in the London Stock Exchange, this formality is sometimes omitted.)

The Banker is not discouraged when the notice is returned accompanied by a brief note from the secretary to the effect that the company cannot recognize it, for very few companies, in fact, ignore the notice altogether. Generally a note is made in the Company's share ledger of the Bank's interest, and should a duplicate certificate have been issued or any attempt made to pass a transfer, no doubt the Banker would be informed.

5. Place the Memorandum and Certificates in a deed envelope marked "Security," and file in strong room or safe.

(In this and in later illustrations in this chapter, it will be assumed that the usual procedure for accepting new securities into the Bank or changing documents from Safe Custody Registers to Security Registers is duly carried out.)

Legal Title to Registered Stocks or Shares. Where it is decided to take a full legal title, a transfer form must be prepared, signed, witnessed, dated and stamped. Such a transfer is often made in favour of a special Nominee Company of the Bank, or in the joint names of two of its officials. When registered in the name of a Nominee Company, the certificates are usually held by the Head Office; dividends on the stocks and shares being credited to the customer's account at the Branch the day following that on which they are received by the Nominee Company.

Inscribed Stocks. These are always transferred into the name of the Bank's Nominee Company. It is not necessary for the Stock Receipt or acknowledgment to be produced as evidence: this is shown in the books of the Registrar. Transfer used to be by personal attendance at the Registrar's office or by proxy

by Power of Attorney. This was a somewhat cumbersome method of transfer and during the second world war 1939-45 procedure for Government Stocks was brought in line with registered stock. By virtue of a Treasury Order (S.R. and O. (1) of 1943) as from 1st January, 1943, "inscribed" stock for Government securities is done away with and there is now only one class transferable by the common form of transfer. A certificate is now issued to the new holders.

(This does not apply to stock inscribed at the Bank of Ireland, Dublin, where the old procedure still obtains.)

Here is the procedure—

1. Make out Memorandum of Deposit and obtain signature of customer thereto.

2. Forward necessary particulars to Nominee Company for making out transfer (or Power of Attorney in the case of the Bank of Ireland, Dublin.) This will include—(a) full name and address of the holder as inscribed in the Registrar's Books; (b) full title of the stock and amount to be transferred; and (c) if part of a holding only is to be transferred, a reference to the total holding, e.g. "£1000 being part of a total holding of £5000."

3. Obtain a confirmation from the Nominee Company of the Transfer.

4. Enter in Securities Register.

AMERICAN TYPE SHARE WARRANTS

American securities are usually transferable by endorsement and if properly endorsed may be regarded as bearer securities. They may be in the customer's name or in the names of well-known London firms, known as "good marking names." To be good security they must be properly endorsed bearing in mind that the endorsement must correspond exactly with the full name of the shareholder, including courtesy titles, e.g. *Miss Mary Adams*, *Mr. John Adams* as shown on the face of the certificate. If considered necessary the Manager should guarantee his customer's signature.

Where the certificate is not in the customer's name nor in a good marking name it should be so transferred and duly endorsed before being taken as security. It is seldom that

such securities are transferred into the name of the Bank's Nominee Company, as it is a tedious business. For they would then be bad delivery unless they were stamped with a signed Guarantee of the Nominee Company that all necessary papers had been filed with the registrar or transfer agent.

Procedure is as for Bearers, except that dividends are paid by the Company direct to the registered holder. If paid to a "marking name," the banker must claim therefrom on behalf of his customer.

"N.P.V." or "No Par Value" is a term characteristic of American shares and merely means that instead of giving a nominal value to the unit of the capital of the Company which may after some period of trading bear little relation to its real or "break up" value it is simply called a unit of the capital and no nominal or parity value is set on it.

POST OFFICE ISSUES

Since the Post Office will not accept notice of any charge affecting stocks on its register and they cannot be sold on the Stock Exchange but must be sold through the Post Office, and there is the ever present danger that a duplicate certificate or book may be issued, these issues do not give a satisfactory security unless transferred into the name of the Bank's nominee company. Alternatively Post Office issues can be transferred to the Bank of England Register and may then be dealt with as an ordinary Stock Exchange security.

Exceptionally in favour of an undoubted borrower the Bond Book or certificate recording the stock is held, the latter being signed in the space provided, covered by a Memorandum of Deposit and an order for sale signed but undated is held with it.

NATIONAL SAVINGS CERTIFICATES

Similarly in theory National Savings Certificates are not a satisfactory security, for the same reasons as for other Post Office issues. But they are taken nevertheless. Most Bank borrowers merit the term trustworthy and the risk that duplicate certificates may be obtained is fully understood and accepted by the Banker as a business risk. These certificates

have the advantage that their value is readily ascertainable and increases steadily during the period of the advance. Moreover, repayment is a comparatively simple and expeditious business.

The certificates and the registered holder's card should be held covered by a Memorandum of Deposit which should, *inter alia*, state the registered number. The special repayment form signed by the customer but undated should be held with the certificates.

STOCKS AND SHARES IN PRIVATE COMPANIES

A tempting form of security but somewhat dangerous. Their obvious disadvantages derive from the statutory restriction on transfer and on the number of shareholders, and also the further restrictions which may be found in the Articles. The Manager will decide whether such shares will be taken—it may of course be Hobson's Choice, or they may be accepted additionally with other securities.

Since they have no market quotation the security clerk must seek their valuation elsewhere. An official valuation may be declared at the General Meeting of the Company and he may obtain this from the Secretary; or he may be guided by the dividend declared coupled with the Balance Sheet position; or he may have to rely on his own judgment of their "break up" value from a study of the Balance Sheet alone. In any case the latter should be obtained each year while the shares are held.

For the reason given above these shares cannot be transferred into the name of the Bank's Nominee Company but notice of lien should always be given to the Company against the possibility of the shareholder being or becoming indebted to the Company. Procedure—

1. Obtain certificates and list on Memorandum of Deposit and obtain signature thereto.
2. Obtain last Balance Sheet of Company.
3. Give notice of lien to Company.
4. Obtain signed transfer (undated) if considered necessary.
5. Enter in Securities Register.

CHAPTER XV

GUARANTEES

A GUARANTOR is liable for the debt of the borrower only if the latter cannot or will not pay. An undertaking of primary responsibility would be an Indemnity. It follows then that when a Banker accepts a guarantee as security for an advance he is relying on two names instead of one. The second name, that of the surety, may be supported by collateral security, but the weight of responsibility and adequacy of security must still rest with the borrower, who himself should be good for the money, for few people relish the experience of paying somebody else's debts and the enforcing of the security may make enemies for the Branch.

In view of the comprehensive character of the clauses safeguarding the Banker's position it is always a matter of surprise how ready people appear to be to sign as surety. One can only conclude that few who do so sign ever visualize having to meet their obligations or, indeed, fully realize their commitments. Therein lies the danger of this kind of security—it is too easy to get. This governs the special care which must be exercised in taking a guarantee.

The first and obvious step is to see that the surety is good for his obligation either by obtaining a good answer to an inquiry from his Banker or by requiring the deposit of adequate collateral security. The amount of the inquiry should be sufficient to cover the maximum covered by the guarantee plus a sum sufficient to cover possible interest payments.

The next step is to complete the Form of Guarantee and obtain the surety's signature. It must be understood very clearly that in no circumstance should an informal letter of Guarantee be taken without specific sanction of the Head Office; certainly never an oral guarantee, which is not enforceable at law. The Bank's Form of Guarantee has been so drawn up as to give the Banker a complete and watertight security, guarding against every contingency. Indeed, if the

Banker is asked his opinion on the advisability of signing a guarantee he should perhaps in all honesty repeat that given by *Punch* to those about to engage in another solemn undertaking—"don't!" Fortunately he is seldom placed in this position; but he takes care to explain the full purport of the Form of Guarantee. Obviously it is inadvisable to allow the borrower to take the Form away to secure the signature of the guarantor. The signing should be done in the presence of the Manager or, if the guarantor resides in another neighbourhood, the document should be signed in the presence of the Manager of the local Branch; or the guarantor may be asked to call at his own Bank to which the Form has been sent, with the request for the Banker to witness the signature. To guard against the possibility of impersonation when the signature is not known it should be confirmed by the Manager of his own Bank or by someone of undoubted standing.

A Bank's Form of Guarantee gives a continuing security and is valid even where the account goes into and out of credit. It covers moneys owing, including unpaid interest; but a limit may be, and usually is, placed on the liability—this should be stated in words as well as figures and should be in the handwriting of the surety. Three months' notice is generally required to determine the guarantee, but where the surety desires to fix a time limit some such clause as the following should be added.

"Without prejudice to any rights or powers contained herein this guarantee shall be determined on if not previously determined in accordance with the terms of this guarantee."

Where a guarantee is given by two or more people they are jointly and severally liable; thus the status inquiries for each should be for the full liability. The Procedure recommended is—

1. Inquire of the surety's Bankers as to his financial standing and trustworthiness.
2. Prepare the Guarantee Form and secure the surety's signature.
3. Take collateral security under the appropriate Form of Charge, if considered desirable.

4. Stamp Guarantee 6d. adhesive or impressed within fourteen days from its date.

5. File away and fill in status card for Guarantor.

6. Diarize status inquiry for renewal at the end of the usual period. A Guarantor may be in a very sound position when the first inquiry is made, but twelve months trading may change his financial position entirely.

7. If the Guarantor is also a customer of the same Branch, 1 and 6 will not be necessary, but a note of the contingent liability should be made at the head of the Guarantor's account or on a particulars card.

Certain special precautions are necessary for the following sureties—

Women. In this event it is material that the security be given freely and voluntarily. To ensure this and a complete understanding of the undertaking the Banker frequently requires the Form to be completed under the guidance of a solicitor acting separately for the woman. Further, if for a husband, it is usual to require a signed statement on the form itself to the effect that the Guarantee is clearly understood and given freely and voluntarily. It may be deemed advisable to ask for collateral security.

Firms. A Guarantee by a firm should bear the signature of the firm and also the signature of all partners in their individual capacities.

Limited Companies. Ascertain that the company can undertake this form of liability from its Memorandum and Articles of Association and whether it must be under seal or under hand of the Directors. In the latter case a copy of the resolution authorizing the signing of the Form should be obtained and kept with it.

DETERMINATION OF GUARANTEE

This operates in the following circumstances—

1. Demand by the Bank.
2. On expiration of the stipulated notice by a Guarantor.
3. Insanity or Bankruptcy of the Guarantor.
4. Change of Partnership by death, failure or insanity of one of the partners.

5. Notice by one Guarantor (of a Joint and Several Guarantee).

1. *Demand by the Bank.* This the Bank is reluctant to do unless forced to do so by the default or failure of the principal debtor. The demand should be in writing sent by registered post and should state the requirements of the Bank in brief terms: there is no special form for this purpose. It is as well to remember that the Limitations Act, 1939, begins to run against the Bank from the expiration of the period under demand. The principal debtor's account should be broken.

If, as is commonly the case, the notice is given in consequence of the bankruptcy of the principal debtor, any moneys received from the Guarantor should be placed to a suspense account and thus allow the Banker to prove for the whole debt in his customer's bankruptcy proceedings. A demand may still be made by the Bank for immediate cover where notice has been given by the Guarantor.

(2) *Notice by Guarantor.* The Guarantor has the right to determine his guarantee by giving any stipulated notice. At this point there is a divergence of procedure between the various Banks. Some bankers require the borrower to give them a list of outstanding cheques, the account being broken except for the debiting of these cheques and a new account opened with the written consent, if possible, of the borrower to which all new credits and debits will be placed. Other bankers advise their customer of the notice of determination, warn him that no *new* commitments can be undertaken in reliance on the guarantee and, if the advance be not repaid in the meantime and the accommodation cancelled by arrangement with the accommodated party, the account is broken only at the termination of the notice period.

In either case the principle observed is that the cheques issued by the borrower in reliance on the accommodation and within its amount, and for commitments entered into before notice of determination and maturing during pendency of notice, be met and that the debt so created be covered by the Guarantee. If any moneys are received from the Guarantor during the period of notice they should be placed to a suspense account.

When notice is given when the account is in credit it must be borne in mind that the customer may have issued cheques not yet presented, or entered into commitments on the strength of the guarantee. It is as well then for the Manager to interview the borrower and his surety jointly, if possible.

(3) *Insanity or Bankruptcy of Guarantor.* Death of a Guarantor does not release his estate and the Executors or Administrators are usually advised of the liability. But on the failure or lunacy of the Guarantor the account should be broken and operations made thereafter only on the advice of the Head Office.

(4) *Change of Partnership.* Similar steps as in (3) above should be taken.

(5) *Notice by a Joint and Several Guarantor.* This sometimes happens and places the Banker in an awkward position. The other Guarantor and the principal debtor should be advised and it will depend on the financial standing of the other Guarantor whether the Banker will be willing to allow the continuation of the accommodation or will himself demand payment. A somewhat similar position arises on the death, failure or lunacy of a Joint and Several Guarantor and the Branch will no doubt receive specific advice in each case from the Head Office what action to take.

GUARANTEE OF A DIRECTOR

Frequently, Directors of a Company are asked to give their personal Joint and Several Guarantee for an advance on the Company's account. But if subsequent to the giving of the Guarantee a charge on any of the Company's assets be taken (for example, a debenture) whether to cover the existing or an increased advance, a risk may be run if the resolution authorizing the execution of the charge is passed by the Board of Directors only.

For one thing, it will obviously be to the personal benefit of the Directors that the Bank advance be covered by debentures in addition to their guarantee. Further, in such a case, it is most likely that the Directors would be precluded by the Articles of Association from voting in connection with the issue of the debentures; this difficulty could be overcome by

obtaining a Resolution from the Shareholders in General Meeting to cover the issue. On the other hand there is no such difficulty or objection in taking the Joint and Several Guarantee of the Directors in support of a debenture—indeed it may be a desirable course, the date then of the guarantee must not be prior to that of the debenture.

CHAPTER XVI

LIFE POLICIES

THE usual method of taking a Life Policy as security is to charge the Policy by an Assignment which is by way of legal mortgage; which gives the Bank certain powers and rights and the assignee the right to recover the Policy on repayment of the Bank advance. Very exceptionally a Policy may be taken with a Memorandum of Deposit only, which will give the Bank an equitable charge only.

Life Policies, if they bear the name of a reputable company, are with a few exceptions a good form of security. The surrender value is readily ascertainable from published tables or direct from the Company and shows a steadily appreciating security. Moreover it is a useful security to hold where it is advisable to cover the risk of the borrower's death. There are one or two things to bear in mind when accepting this security.

1. Can the Policy be assigned?—Not all Industrial Policies can be assigned and the conditions laid down in the Policy must be carefully perused.

2. Any trust interests?—Where for example a Policy is taken out by a husband in favour of his named wife a trust is created in her favour and both must join in the assignment; if any trustees have been appointed they must join with the wife in the assignment. If the Policy includes, or is in favour of, his children and they are not definitely named, or they are minors, an effective security cannot be obtained. If the named children are of full age they must join in the assignment. If the wife is the grantee on the life of her husband no trust is created if she pays the premiums and she can sign the form of assignment in her sole name.

3. Non-disclosure of a material fact?—This may negative a contract of assurance but the Bank usually accepts such a risk and is concerned only to see that the age has been "admitted" on the Policy.

The first requisite is thus to make a close scrutiny of the

Policy having these points in mind and to ascertain the nature and terms of the assurance: then to take a form of assignment and give notice of this to the Company.

To summarize the procedure—

1. Carefully peruse the Policy and obtain all prior assignments and re-assignments.

2. Ascertain from the Company the present surrender value including any bonuses declared and not taken in cash.

At the same time opportunity should be taken to find out whether the Policy is unencumbered.

3. Prepare assignment of Policy, obtain the signature of the beneficiary or beneficiaries and complete by stamping. Such assignments are made under seal and stamped *ad valorem* by scale up to £300 and 5s. per cent thereafter; stamp to be affixed within thirty days of signature. (The general rule is stamp for the amount of the Bank advance.)

4. Give notice of charge to the Company accompanied by the statutory fee—the amount of which cannot exceed 5s. Information on this point may be obtained from the *Bankers' Almanac* or direct from the Company. The Company is bound by law to acknowledge receipt of this notice, which will establish the Bank's priority to a charge of later date. This receipt is kept with the Policy.

5. Diarize premium renewal dates. This may be done in the form of a Card Index or in a Consumable Property Register kept under quarterly dates. Since non-payment of the premium may result in a lapsed Policy it is most important to see that premiums are paid promptly. To this end it is advisable, where possible, to obtain the customer's standing order to pay premiums as and when due. In other cases the customer should be asked periodically for the current premium receipt which is then pinned to the Policy.

It is usual for the Bank's Form of Assignment to contain the power to pay premiums and this is useful in the event of non-payment by the customer.

RE-ASSIGNMENT

When the advance is repaid the owner of the Policy has the right to have it re-assigned to him. This form of re-assignment

is in most cases printed on the back of the Form of Charge. It requires sealing by the Bank, usually by the Head Office, and stamped 1s. per cent of the amount for which the assignment was stamped. The customer, or beneficial owner of the Policy, may then have the Policy, all relative documents, and the Bank's Form of Assignment and re-assignment—both uncanceled—against his receipt.

Notice of re-assignment should be given to the Company.

CLAIM ON A POLICY

If a Policy becomes a claim by death or maturity the Company should be asked for its requirements. This usually takes the form of a receipt either endorsed on the Policy or as a separate document; if the latter it requires stamping 2d. The Company may also require a certificate stating that the advance has never exceeded the amount for which the assignment is stamped.

SURRENDER OR SALE

Although the Form of Charge gives this power to the Bank it is seldom resorted to and in the exceptional case is done only on the instructions of the Head Office.

CHAPTER XVII

TITLE DEEDS OF REAL PROPERTY

It is important at the outset to ascertain under what system of transfer the land is held. Title to land may be subject to any one of three distinct systems—

1. Registered land: subject to compulsory registration at the Land Registry.

2. Land in Yorkshire, other than the City of York: subject to the rules of registration in that County.

3. Unregistered land: land not covered by the first two classes. Such land may be voluntarily registered at option of the holder, and would thereafter be treated as in class 1.

1. *Title to registered land* is evidenced by a Land Certificate issued by the Land Registry. The idea of registration of land in a central registry is an attempt to systematize the delineation of property; to preserve permanent records; to facilitate dealings and transfer by doing away with parcels of deeds, abstracts, Requisitions of Title, and so on, and substituting therefor a single clear concise document carrying a title guaranteed by the State.

The Land Certificate is made as simple as possible. The face of the document recites—

“This is to certify that the land described in the office copy of the Register and shown on the official plan within is registered at H.M. Land Registry, London, under the Title Number endorsed hereon.

(Under Rule 264 of the Land Registration Rules, 1925, the said office copy of the register is for the purposes of Section 68 of the Land Registration Rules, 1925, deemed to be contained in this Certificate.)”

The Register is, in fact, in three parts: (a) Property Register, (b) Proprietorship Register, and (c) Charges Register.

The entries in the briefest terms, entered against the land Title Number are shown in the Certificate which, together

with the official plan, gives a complete evidence of title. An example showing the approximate lay-out of these Registers is shown on pages 172-174.

To enable a registered proprietor to afford conclusive evidence that the entries in the Register are up to date the Land Registry will examine it officially and (where necessary) amend it to correspond with the official Register without fee. A space is provided for the Land Registry's stamp showing the date when this was last done.

The Land Registry point out that although the Certificate takes the place of the title deeds necessary in the case of unregistered land, it does not normally show matters which are not usually disclosed in an abstract of title. It lists examples as—

1. Such rights as may be ascertained by

(a) inspection of land; e.g. rights of way, light, drainage and other easements.

(b) inquiry of the occupier; e.g. leases not exceeding 21 years granted at a rent without taking a fine.

2. Rights arising under Acts of Parliament affecting land generally, e.g. redemption annuities, land tax, and other rates and taxes of a general character.

3. Rights arising under Acts of Parliament affecting the particular district in which the land is situated.

4. Local land charges.

For one reason or another the system has not been adopted to the extent expected. Areas where registration is compulsory, and dates when so made, are as follows—

Administrative County of London, between 1899 and 1902.

County Borough of Eastbourne, 1st January, 1926.

County Borough of Hastings, 1st January, 1929.

Administrative County of Middlesex, 1st January, 1937.

County Borough of Croydon, 1st January, 1939.

Registration, however, is only compulsory in these areas on a transfer of title after these dates or on a grant of a lease of forty years or more, or an assignment of a lease not less than forty years to run, or the grant of a lease of twenty-one years or more where the relative freehold title is already registered.

H.M. LAND

REGISTRY

TITLE No. **X172 999**

A. PROPERTY REGISTER

containing the description of the registered land and the estate comprised in the Title

COUNTY OR COUNTY BOROUGH

Kent

PARISH OR PLACE

Bromley

THE FREEHOLD LAND SHOWN AND EDGED WITH RED ON THE FILED PLAN NUMBERED AS ABOVE -
being land on the east side of Henville Road.

The correct description of the property is 73 Henville Road.

28.9.42
5907/49

B. PROPRIETORSHIP REGISTER

stating nature of the Title, name, address and description of the proprietor of the land and any entries affecting the right of disposing thereof.

TITLE ABSOLUTE

No. of Entry	Proprietor, Etc.	Application No. and Other Remarks
1	~~Herbert Arthur St John DEEN of 99 Turner Road, Orpington, Kent, Accountant, registered on the 15th of February 1936.~~	~~55419 Price paid £590~~
2	John Citizen of 73 Henville Road, Bromley, Kent, Gentleman, registered on the 28th of September, 1942.	5907/49 Price paid £3000

Edition 1
Opened
10.2.36

C. CHARGES REGISTER

containing charges, incumbrances, etc., adversely affecting the land and registered dealings therewith.

No. of Entry	The Date at the Beginning of Each Entry is the Date on which the Entry was made on this Register	Application No. and Other Remarks
1	10th February 1936—<i>The land is subject to the covenant, contained in a Conveyance of Sale, dated the 29th of July 1928 of the land in this title and other land made between Angus Henry Parks and Susan Merry of the one part (Vendors) and Henry Tate of the other part (Purchaser) so far as such covenant runs with the land.</i> <i>Particulars of the said Covenants are contained in the Schedule of Restrictive Covenants annexed hereto.</i>	454/19
2	10th February 1936—<i>The land is subject to the covenants, contained in a Transfer, dated 2nd February 1936, of the land in this Title from Henry Tate (Vendor, to John Citizen (Purchaser) as far as such covenants run with the land.</i> <i>Particulars of the said Covenants are contained in the Schedule of Restrictive Covenants annexed hereto.</i>	5907/49
3	28th September 1942—<i>Notice of Deposit of Land Certificate with Southern Bank Limited, 10 High Street, Kent, registered on the 28th day September 1942.</i>	5907/49

C. CHARGES REGISTER

TITLE No. XYZ 999

Schedule of Restrictive Covenants	Remarks
<i>The following are particulars of the covenant contained in the Conveyance on Sale dated the 29th of July 1938 made between Angus Henry Parks and Susan Merry (Vendors) of the one part and Henry Tate (Purchaser) of the other part referred to in the Charges Register above.</i> <i>"The Purchaser for himself and his successors in title hereby covenants with the Vendors with the intent that the burden of this covenant shall run with the land and be binding thereon into whatsoever hands the same may come but so nevertheless that the Purchaser or his successors in title shall not be liable in damages for any breach thereof after he or she or they shall have parted with all interest therein that no trade manufacture or business of any kind shall at any time be set up or carried on in or upon the said land hereby assured."</i>	<i>The northern boundary is so marked.</i>
<i>The following are particulars of the covenants contained in the Transfer dated the 2nd February 1936 referred to in the Charges Register.</i> <i>"The Purchaser hereby covenants with the Vendor that the Purchaser will at all times maintain the fence on the boundary of the said land marked with a 'T' on the accompanying plan and further that the house to be erected upon the said land by the Purchaser shall be in accordance with the plan already approved and signed by the Vendor and the Purchaser."</i>	

Titles as shown on the Land Certificate may be (a) absolute; (b) good leasehold title; or (c) possessory title; and these are more fully discussed later. The term "land" as used here signifies the land itself and all property situated on or under it.

2. *Title to land in Yorkshire* outside the City of York is evidenced by the relative title deeds. The Registers for the Ridings are merely for compulsory registration of all deeds, and no certificate of title is issued as for registered land.

3. *Title to unregistered land* is still evidenced by deeds. By far the greater proportion of land is still unregistered. The deeds showing the title may be bulky and involved, for a purchaser, or a solicitor on his behalf, is entitled to see his title back for thirty years. The Abstract shows the Root of Title and traces the title through the various deeds relating to it; Mortgages must show a discharge; any documents necessary for the chain of title should be held or an acknowledgment for production and safe custody from the holder should be with the deeds. The final deed transferring the property is the Conveyance or, in the case of leasehold property, the Assignment. In the case of leasehold property it is necessary to read the terms of the lease to ascertain the number of years still to run, the amount of the Ground Rent, and whether the consent of the Lessor is required for a mortgage.

The *Property Statutes of 1925-6*, while leaving the three systems mentioned above to operate side by side for a time at least, did make some effort to simplify the terms of tenure and ownership of land, and give some help in the cheapening and simplification of transfer. The Law of Property Act, to take an example, enacts that there shall be only two legal estates—

1. Freehold; absolute ownership, in "fee simple."

2. Leasehold; ownership for a term of years absolute—in place of the multiplicity of forms under which land could formerly be held.

Under the new law of mortgage both the mortgagor and the mortgagee have a *legal title* in the land. In the case of freehold land, the borrower retains his legal estate; but it is encumbered with a mortgage, which is a long lease of, say,

3000 years. In the case of leasehold land the mortgagee's legal title is in the form of a sub-lease one to ten days short of the original lease. The alternative form of a mortgage under the Acts is by what is known as "a charge by way of legal mortgage."

Where the Bank decides to take a legal mortgage on land, it is as a rule in this second form.

An equitable mortgage may still be effected by—

1. A mere deposit of title deeds; or
2. A memorandum expressing to charge the land, with or without the title deeds, which is in effect an agreement to execute a legal mortgage.

PRIORITY OF MORTGAGES

Now that there may be several legal titles to the one piece of land, the question of priority assumes primary importance, especially to the Banker. The position has been summarized by Mr. R. W. Jones as follows: priority is accorded to the man—be he legal or equitable mortgagee—who gets the deeds, always provided that he had no notice of other interests, when he took his mortgage.

("Notice" for this purpose would be an entry in the Land Charges Register. If the Banker has searched there, and found nothing he would be unaffected by other kinds of notice. It is best perhaps to make it quite clear at this stage that the Land Charges Register has nothing to do with the registration of land, compulsory or otherwise. It is a Register kept by the State of charges on *Unregistered Land*. It must not be confused with the Charges Register of *Registered Land*, of which we shall mention more later.)

Priority of mortgages not protected by title deeds is determined by the *date order of registration* on the Land Charges Register, whether they be legal or equitable.

The relative importance of possession of the deeds, searching the Register, and registration of a charge may now be assessed.

Briefly, the order of procedure from the lending Banker's point of view is as follows: *secure the title deeds, get the form of charge signed, search for prior registered interests and, if the search reveals no entry, lend the money.*

A certain measure of protection for the Banker is afforded by Section 94 of the 1925 Act which enacts that: "In relation to the *making of further advances* the Banker will not be affected by notice . . . after the date of the creation of his mortgage, or charge, or the date of the last search, whichever last happened." Once having made a search, therefore, the Banker need not search again during the currency of the advance or of further advances against the same security. Indeed he would be very foolish to do so, for he would be saddled with notice of any charge against the land which the second search revealed, and his subsequent advances would rank behind it in priority. If, however, for any reason a fresh or additional form of charge is taken the Banker must search again.

We are now in a position to tabulate in more detail the procedure when lending against title deeds to real property.

MORTGAGE OF UNREGISTERED LAND

As explained above, a lender can get a *legal title* by taking a charge by deed expressed to be by way of legal mortgage. This is incorporated in a special Form of Charge, and attracts a stamp duty of 2s. 6d. for each £50 up to £300 and 5s. per cent thereafter.

An *equitable title* is obtained by taking possession of the deeds accompanied by a Memorandum of Deposit, stamped 2s. per cent. When this Memorandum contains a Power of Attorney clause, under which the borrower appoints the Bank or its nominees as his attorneys for the purpose of executing a legal mortgage if necessary, it must be executed under seal, and then attracts a stamp duty of 5s. per cent.

We have stressed before the importance of possession of the deeds and if there is any doubt whether all the necessary documents have been handed over they should be referred to the Branch Solicitors for their examination. In most Banks a routine examination by the Branch Solicitors is insisted on and a formal report from them that they are in order and give a title against which the Bank can lend is kept with the Form of Charge and deeds. Should a bundle of deeds be offered to the Bank which are branded with the Land Registry stamp, this

shows that the land is registered and the Land Certificate should be demanded.

The following is the procedure—

1. *Value Property.* The first step is to ascertain whether the property is suitable for the Bank's purpose, and the second is to find out its approximate forced sale value.

The Branch Manager, by viewing the property, may be able to satisfy himself on both these points. If the property is extensive, or used for a specialized purpose, he may deem it advisable to enlist the services of a professional valuer. When the property is in another district altogether, the Manager of the nearest Branch is supplied with all the necessary facts and asked to submit a report after viewing the property. He will also, where the rent or rateable value is below £100 per annum, ascertain whether the *rent is controlled*. Also, if it is building land ripe for development, whether it is affected by the Restriction of Ribbon Development Act, 1935.

The Town and Country Planning Act, 1947, came into force 1st July, 1948, and its provisions must be borne in mind when taking and valuing property as security for an advance. Very briefly the Act sets out to control development by persons or bodies other than local authorities by providing that no building on, or mining, engineering in, over, or under land, or any material change in the use of any building or other land shall take place without permission of the local planning authority. Further, when permission is given a development charge must be paid before the work can proceed. In certain cases where owners have lost development rights a claim may be made on a "hardship" fund to the extent of the amount of their loss, if lodged on or before 30th June, 1949.

Thus a sharp distinction must now be made between the "existing use value" and the "development value" and where land is charged after 30th June, 1948, it should be valued for banking purposes only on the basis of its existing use. Moreover, if the land or buildings thereon have been "developed" or improved since that date the planning permission should be seen as well as the certificate showing that the necessary charge has been paid. An exception to this rule is that where land has been certified as ripe for development before 1st July,

1948. But it should be noted in the interim period that an application for land to be so certified must be made within one year from 1st July, 1948.

Finally the local planning authorities are required within three years to prepare a plan of development in their area and to show the land which it is proposed to purchase compulsorily within a ten-year period; a further survey for the purpose is to be made at five-year intervals. So the security clerk should keep himself informed of local plans and those for any district in which land held as security lies.

2. *Examine title.* As a general rule, this work is done by the Branch Solicitors: but where the title is perfectly straightforward and the advance a small temporary one, it is customary in some Banks for the Branch Manager to save his customer some expense by examining the title himself.

3. *Prepare the Appropriate Form of Charge* and obtain the signature of the owner, duly witnessed, and complete by forwarding for stamping within the statutory period.

4. *Search for prior charges.* Search must be made immediately after the Charge Form is signed for any charge registered against the owner or owners of the property in the Land Charges Register. Also search against the names of all holders of the property since 1st January, 1926, if the property has changed hands since that date, and the Branch Manager wants to make quite sure of the position, for it must be remembered that the Register is a register of *names* and not of *property*.

To do this a Land Charges Registry Form L.C. 11 (fee 1s. 6d. per name) must be completed and forwarded by post. It will then be returned marked with the result of the search. If entries likely to affect the Bank's security are revealed, an office copy may be obtained on Form L.C. 14 (a Land Registry stamp of 1s. 6d. to be affixed for copy of each entry). The search against the present owner or purchaser should be made to coincide with, or be subsequent to, the date of the Bank's charge. *On no account should a further search be made at a later date in respect of the same property* while it is held by the Bank, or the Banker will be fixed with notice of anything he finds on this second search. This search form will be sent direct or via Head Office according to the rules of the Bank.

Should the customer require the money in a hurry, the search may be expedited somewhat by asking the Land Registry to telephone or telegraph the result. This they are willing to do, but only after 3 p.m. on the day of the search for a charge of 2s. 6d. Perhaps a better solution for Branches in or near London, in such a case of urgency, is to send a clerk to the Land Registry to make a personal search in the Charges Register and telephone the result to the Branch. If he takes a Search Form stamped 1s. 6d. with him, he will be allowed to search the Register without further charge, while the Land Registry will forward the official search result by post in due course. Thus the result is known early in the day, while the official Certificate is obtained as of the same date and may be filed with the security at the Branch for reference.

Where a charge is given by a Limited Company the search is made at Bush House in place of (or in addition to—according to the rule of the Bank) the usual search in the Land Charges Register.

If the deeds relate to a new purchase, and it is considered necessary, further searches should be made on Form L.L.C. 1 in the Charges Register of the County Council in which the property is situate, accompanied by a postal order or cheque for 5s. for a search in the whole of the Register. A similar procedure applies for search in the Register of the Rural District Council. Any outstanding charges due to these Authorities against the property, such as unpaid rates or an unsatisfied road charge demand, will then be revealed. Note, that these local registers are of *land* and not of *names*.

5. *Register the Charge* on the Land Charges Register, when the relative title deeds are not held by the Bank. In other cases registration is unnecessary. All charges given by limited companies should be registered with the Registrar of Companies at Bush House, London, W.C.2., within twenty-one days of their execution.

6. *See that the property is covered by a Fire Policy* for an amount that should have relation to its current valuation—to avoid “Averaging” if a claim is made. Obtain the last premium receipt, and see whether it is paid up to date. Give notice

to the insurance company or have the policy formally endorsed to the Bank.

Diarize premium date in Fire Register.

7. *If leasehold, obtain last Ground Rent Receipt.* See whether paid up to date and diarize the date of payment. Some anxiety may be avoided, and the receipts of both 6 and 7 always kept up to date, if the customer is willing to give his Banker a standing order to pay these sums as and when due.

8. *Enter the charge in the Securities Register.*

9. *Sort and file away documents.*

REPAYMENT OF ADVANCE

When an advance is repaid and the customer requests the release of his documents of title, this necessitates, where a legal mortgage has been taken, sealing a statutory receipt on the Form of Charge stamping 1s. per cent on the amount the document is stamped to cover. The sealing is usually done by the Head Office. The form of Charge is then delivered up with the deeds against the usual receipt by the customer.

Where an equitable charge only was taken the Form of Charge does not form part of the chain of title and need not be delivered up with the deeds but should be marked "cancelled" and placed with finished papers.

If a charge has been registered in the Land Charges Register, Form L.L. 8 must be sealed by the Bank to vacate the entry or the Form of Charge exhibited at the Registry bearing a statutory receipt and a certificate consenting to the cancellation of the Land Charge.

SECOND MORTGAGE

The value to the Bank of a Second Mortgage will depend on the value of the property and the amount of the first mortgage both of principal and accrued interest. These are then the first two points to be ascertained. Also ascertain whether the First Mortgage requires further advances to be made which may rank prior to the Bank's Mortgage. In any such case the Bank would be guided by the advice of its solicitors. A search should be made against the mortgagor and if considered necessary, against the prior mortgagee. The Bank's mortgage

will be by way of legal charge and if not accompanied by deeds must be registered as a puisne mortgage.

Notice of the Second Mortgage must be given to the first mortgagee by registered post and his acknowledgment obtained stating the amount due.

NOTICE OF SECOND MORTGAGE

A Bank is protected against a Second Mortgage registered on the Land Charges Registry or at the Deeds Registries of Yorkshire subsequent to its own charge but will be affected by a direct notice. When such a notice is received and an advance is outstanding the account should be stopped or broken and the customer advised immediately.

SUB-MORTGAGE

This is a mortgage of a mortgage, and its value cannot be higher than the amount of the mortgage. This in turn must be less than the value of the property. These two facts must therefore be ascertained. Search against mortgagor and customer. Give notice to original mortgagor and obtain his acknowledgment.

MORTGAGE OF REGISTERED LAND

Here we have to deal with a straightforward Land Certificate and it is possible to tell at a glance what sort of title a customer has to the property. Any charge thereon can be readily ascertained by sending the Land Certificate to the Registry to be made up to date or by searching the Charges Register. As mentioned previously there are three kinds of title granted.

Absolute. The title is guaranteed by the State and no other document is required to establish title.

Good Leasehold. Where a leaseholder has tendered satisfactory proof of his leasehold title but cannot produce proof of the freeholder's title to grant the lease. The lease, and any intermediate deeds there may be, in this case must accompany the Land Certificate.

Possessory Title is granted on *prima facie* evidence by the applicant for registration of his right to the land. Title

previous to that date is not guaranteed and therefore all deeds should be produced with the Land Certificate and title should be investigated in the usual way. Machinery is available for extinguishing this kind of title in favour of Absolute or Good Leasehold and thus it is becoming rare.

A further possible title, though very rarely met with, is the *Qualified Title* where title can be established only for a limited period or subject to certain reservations. Obviously here all the deeds will be required in addition to the Certificate.

EQUITABLE OR LEGAL TITLE

A *legal title* is obtained by a mortgagee where he registers his legal charge with the Land Registry. This is done by a Bank lodging its Form of Charge (in duplicate) accompanied by the Land Certificate. The duplicate charge and the Certificate are retained at the Registry, and a Charge Certificate is issued with the original charge stitched in it.

An *equitable title* is obtained by mere possession of the Land Certificate protected by a formal notice of deposit to the Registry. As a rule a Banker is satisfied to rest with an equitable title but he usually defines and consolidates it by insisting on the filling up of his Form of Charge under seal but not registering it with the Land Registry. This can be done at any time thereafter when the full legal title will be obtained, necessarily involving scaling a discharge, if and when the charge is vacated.

SEARCH AND PROTECTION OF BANK'S INTEREST

It is necessary, of course, to find out before any money is advanced, whether the property is free from prior charges. These will show on the Charges Register and if the Land Certificate is written up to date will be entered there. Conversely, if the Bank gives notice of an intended charge on registered land the Land Registry will advise of any intended dealing in the title which will allow fourteen days from the date of the advice to register the mortgage and retain priority.

So it is convenient to do these two things simultaneously,

to forward the certificate for writing up to date, and to enclose a Notice of Deposit of Land Certificate on Form 85A (in duplicate) stamped with a 1s. Land Registry Stamp, signed by the Manager or his deputy. Then when the Certificate is returned it will show if there are any charges outstanding prior to the charge of the Bank. The only drawback to this course is that the Bank's charge is thereby entered on the Certificate and the customer may object. If he takes this attitude the Bank may rest content with a search only of the Register, coupled with a Notice of Deposit.

Although the Register is not a public one a personal search is allowed in cases of urgency, provided the proprietor gives his written consent. It is more usual for it to be done through the medium of the post on Form 94A by the Bank or Branch Solicitors, or in urgent cases it can be done by telephone or telegraph. An office copy of entries may be obtained at a cost of 1s 6d. per entry.

If the Land Certificate is not to hand (where, for example, the land is being registered for the first time) a Notice of Intended Deposit of Land Certificate should be given to the Land Registry on Form 85B or 85C (in duplicate, Land Registry stamp 1s.) signed by the owner of the land. The caution will give the Bank the same position as Form 85A and need not be followed by the latter when the Land Certificate is finally obtained.

It has been previously stressed that the Land Register of Titles has nothing to do with the Land Charges Registry, although they are both housed in the same building. The former has to do with "registered" land and the latter with "unregistered." A search in the Land Charges Registry, therefore, in connection with land registered in the Land Register is a waste of time and money. Conversely, to record an equitable charge of such property in the Charges Register instead of the Land Register of Titles would have no effect whatever.

The usual searches in the County Register of the County Council and in the Register of the Rural District Council may be made as in the case of unregistered land, if considered necessary.

The procedure, in brief, is therefore as follows—

1. *Value property.*
2. *Examine title.* Obtain Land Certificate.
3. *Prepare the appropriate Form of Charge.*
4. *Stamp the Form of Charge* within the statutory period.
5. *Search for prior mortgages* or, as is more usual, *complete Notice of Deposit* of Land Certificate 85A, in duplicate, and forward to the Land Registry together with the Land Certificate for writing up to date. Where the Land Certificate is not to hand, forward *Notice of Intended Deposit* of Land Certificate, in duplicate, Form 85B or 85C. (Where it is desired to register a legal title the Bank's Form of Charge, in duplicate, is forwarded with the Land Certificate and the Certificate of Search.)
6. Make a local search in the County Register and in the District Register if considered necessary.
7. Obtain Fire Policy and last premium receipt. Also last Ground Rent receipt if any.

ADVANCE REPAID

When the advance covered by an equitable mortgage of registered land is repaid, all that is necessary to free the land from the Bank's charge is to complete and forward to the Land Registry the withdrawal of notice of deposit printed on the back of Form 85A. No fees are charged. If the charge has been entered on the Land Certificate, this should be forwarded at the same time for cancellation of the entry. If the advance was covered by a legal mortgage, Form 53 (Discharge of Registered Charge) must be completed and forwarded to the Land Registry together with the Charge Certificate. Fees for vacating an entry amount to approximately 4s. per cent. In addition, the discharge must be stamped with a 2d. stamp if no reconveyance is involved, otherwise at the rate of 6d. per cent on the highest amount advanced.

LAND IN YORKSHIRE

There is nothing very mysterious about transactions dealing with land in Yorkshire. It is simply that there is a Registry

SUMMARY OF SEARCHES AND REGISTRATIONS TO BE MADE WHEN TAKING DEEDS OF LAND AS SECURITY

In Name of Limited Company

In Name of an Individual or Firm

Registered Land

- SEARCH Company Register (Bush House) (Personal Search).
 Land Register (on Form 94A—no fee, but office copy of adverse entry 1s. 6d.).
 * or send Land Certificate for writing up to date (no fee).
 * Company's own Register of Charges at its registered address.
 * County and Local Land Charges Register (on Form L.L.C.1—fee 5s. for whole of Register).
 GIVE NOTICE of Deposit (on Form 85A—fee 1s. per certificate) or Intended Deposit of Land Certificate (on Form 85B or 85C—fee 1s.).
 †REGISTER charge on Company Register (Bush House) within 21 days.
 Legal Charge on Land Register if considered desirable, e.g. where security relied on for repayment of advance, or a second mortgage.

- SEARCH Land Register (on Form 94A—no fee, but office copy of adverse entry 1s. 6d.).
 * or send Land Certificate for writing up to date (no fee).
 * County and Local Land Charges Register (on Form L.L.C.1—fee 5s. for whole of Register).
 GIVE NOTICE of Deposit (on Form 85A—fee 1s.) or Intended Deposit (on Form 85B or 85C—fee 1s.) of Land Certificate.
 REGISTER Legal Charge on Land Register if considered desirable, e.g. where security relied on for repayment of advance or a second mortgage.

Unregistered Land

- SEARCH Company Register (Bush House) (Personal Search).
 Land Charges Register (on Form L.C.11—fee 1s. 6d. per name).
 * County and Local Land Charges Register (on Form L.L.C.1—fee 5s. for whole of Register).
 * Company's own Register of Charges at its registered address.
 †REGISTER charge on Company Register (Bush House) within 21 days.
 on Land Charges Register where security relied on for repayment of advance or second Mortgage (Form L.C.4—fee 1s. per name).

- SEARCH Land Charges Register (on Form L.C.11—fee 1s. 6d. per name).
 * County and Local Land Charges Register (on Form L.L.C.1—fee 5s. for whole of Register).
 REGISTER only if deeds not held and security relied on for repayment of advance (L.C.4—1s. per name).

Land in Yorkshire not Registered (other than in the City of York)

- SEARCH Company Register (Bush House) (Personal Search).
 Deeds Register and Charges Register of appropriate Riding (Form L.C.11—fee 5s. one name, one address; 2s. 6d. additional each additional address for same name).
 * County and Local Land Charges Register (on Form L.L.C.1—fee 5s. for whole of Register).
 * Land Charges Register (on Form L.C.11—fee 1s. per name).
 †REGISTER charge on Company Register (Bush House) within 21 days.
 in Deeds Register of appropriate Riding—except Equitable Charges.

- SEARCH Deeds Register and Charges Register of appropriate Riding (Form L.C.11).
 * County and Local Land Charges Register (on Form L.L.C.1—fee 5s. for whole of Register).
 * Land Charges Register (on Form L.C.11—fee 1s. 6d. per name).
 REGISTER in Deeds Register of appropriate Riding—except Equitable Charges.

* Only where considered necessary.

† Usually by Bank's or Company's own solicitors.

of Deeds and Charges set up in each of the Ridings of this county. The three Registries are—

North Riding at Northallerton

West Riding at Wakefield

East Riding at Beverley.

The City of York has no Registry. The Registries have two departments; one dealing with the registration of deeds of land, the other being concerned with charges under the Land Charges Act, 1925. When land in one of the Ridings is charged as security the deeds should show the branding stamp of the Registrar demonstrating that they have been registered with the Deeds Registry of the Riding. Search then must be made at this Deeds Registry and also in the alphabetical index of the Charges Register, the latter on Form L.C. 11 (fee 5s. per name.) In addition a search should be made in the London Land Charges Register which will reveal if a bankruptcy petition, receiving orders, etc., have been registered against the name of the Bank's borrower. To be on the safe side a local search should also be made in the Register of the local authority for notice of unpaid rates, street charges, etc.

The Bank's Form of Charge, if a legal charge must be enrolled at the Deeds Registry of the Riding; so, an equitable mortgage unsupported by deeds must be registered in the Charges Register of the Riding concerned. There is apparently some doubt as to the need to register an equitable mortgage where the deeds are held by the bank.

The charge so registered in the Deeds Register may be cancelled by enrolling Form 1A or by an Affidavit of Discharge (Form 20) accompanied by a Consent (Form 21). The charge registered on the Charges Register may be cancelled by forwarding Form L.C. 8 duly completed.

Lastly, it should be explained that where land in Yorkshire is registered under the Land Transfer Acts with the London Registry there is no need to register a charge, or search, in the Registers of the Ridings.

CHAPTER XVIII

OTHER SECURITIES

BORROWING by limited companies may be covered by any of the foregoing kinds of security, but by far the larger proportion are secured by an issue of Debentures. These may give a fixed or floating charge over some or all of the company's assets, or may be a judicious mixture of both kinds of charge. A floating charge given by a debenture is very convenient from the company's point of view, for it leaves the company free to carry on its business, using the changing assets for the purposes of its business.

Theoretically, too, the advance, by strengthening the company's position to trade, should in turn enhance the Bank's security. On the other hand, as soon as the Bank refuses to lend and credit is contracted, leaving the firm less able to compete in the open market, so the Bank's security, unless backed by collateral, is relatively poorer. But the Bank's position may be safeguarded to a certain extent if the Debenture gives an adequate specific charge on a fixed asset, e.g. deeds.

It is not proposed here to discuss the pros and cons of debentures as a banking security, nor to give a detailed description of their composition. As a general rule the actual making out of the Debenture is left to the Bank's solicitors, and, in any case, the subject is one which deserves a treatise to itself. It will be sufficient for our purpose if the main points to be observed when such security is proposed be put down in tabular form to give a general idea of the procedure.

PROCEDURE WITH DEBENTURES

1. When a company first proposes to borrow on the strength of its debentures, the Manager must himself decide—

- (a) whether they have the power to do so;
- (b) whether the company is in such a condition that its debentures are acceptable as security;

(c) the form, i.e. fixed or floating or a combination of the two, that the debentures shall take.

To arrive at satisfactory replies to these questions the following documents must be consulted—

(i) The Memorandum of Association, and also the Articles of Association certified as up to date by the Secretary. From these documents the Banker can ascertain whether the company has power to borrow (a trading company has implied borrowing powers, even when not specifically mentioned in the Memorandum), and also the extent of these borrowing powers.

(ii) A copy of the latest balance sheet and, if possible, the balance sheets of the last two or three years for comparison, also the current Trading and Profit and Loss Accounts.

(iii) A certificate from the Secretary showing the total borrowing to date, if the company has borrowed already and there is any restriction on the company's borrowing powers.

2. Search at Bush House for debentures or registrable charges taking priority to the Bank's charge, and, if considered desirable, search the Company's own Register of Charges.

3. From the data at his disposal the Manager may arrive at his decision of the amount and kind of debenture required. This will be drawn up, under direction, by the Bank's solicitors after consultation with the Head Office.

4. Secure the seal of the company and stamp within thirty days at the rate of 5s. per cent. When a trust deed is drawn up in addition to the debentures, it must bear a 10s. stamp. Some Banks take also a Form of Agreement or a Memorandum of Deposit to define the purpose of the Debenture.

5. Register the Debenture with the Registrar of Companies, Bush House, W.C.2, within twenty-one days.

6. If real property is included in the assets the deeds must be lodged with the Bank and the usual precautions in regard to searching in the appropriate registers must be taken, and a check made to see that adequate insurance cover is up to date with premium payments.

BALANCE SHEETS

In all cases where a company is borrowing, whether secured by specific assets, by a Debenture, or unsecured, the audited Balance Sheet and Trading and Profit and Loss Accounts should be examined to ascertain whether the company is in a healthy financial position. Preferably the last two or three consecutive years' figures should be seen in order to get a true picture of the trend of the business; and it is the duty of the Security Clerk to obtain these and extract the figures in a comparative statement. While he may not be responsible for decisions based on the figures he should certainly be cognizant of the broad principles involved from the Banking point of view so that his extract can be intelligently done and he may be able to discuss the matter helpfully with his Manager.

Fortunately the accounting provisions of the new Companies Act should simplify matters for him somewhat. For, in place of the various methods of setting out the summary of the company's position, a degree of standardization of practice and consistency in the use of technical terms will be brought about.

The new form distinguishes between resources sunk in fixed assets from current or floating assets, and divides liabilities into capital, reserves, liabilities, and provisions (the latter being liabilities "of which the amount cannot be ascertained with substantial accuracy").

The standardized form should appear as follows—

<i>Liabilities</i>	<i>Assets</i>
Share Capital	Fixed Assets
Undistributed Profit and Reserves	Current Assets
Share Premium Account	Discount on Shares
Capital Reserves	Preliminary Expenses
Revenue Reserves	Profit and Loss Account (debit balance)
Profit and Loss Account	
Long-term Liabilities	
Current Liabilities and Provisions	

A rough and ready guide to the liquid position of the company may be obtained by subtracting the current liabilities from the current assets—the "quick" or liquid assets. The former will include Loans, Sundry Creditors on open account,

Bank Overdraft, Bills Payable and reserves to meet current liabilities, e.g. Taxation, etc. The latter comprises such items as Cash, Bank Balance, Stock, Sundry Debtors, Bills Receivable, Work in Progress, Investments in Stock Exchange securities.

A more detailed examination of the position will involve taking each of the assets in turn and writing down their value from a break-up point of view, having in mind the following considerations—

Goodwill—to be eliminated in most cases.

Fixed Assets including property, machinery and plant and furniture and fittings. The degree of writing off will depend on the method of valuing; e.g. whether ample depreciation has been allowed already. The fittings certainly must be written down fairly severely, as the figure obtainable on a compulsory sale will be very different from their value in a going concern.

Stock On Hand, work in progress, finished goods, etc. The degree of reduction in value must depend on the kind of work done and the sort of goods produced, whether “bread and butter” or luxury goods, and whether perishable or not.

Lorries, Motor cars, etc. Adequate depreciation will in most cases have been allowed and little further writing off need be done.

Investments. If these represent Stock Exchange securities a reasonable margin should be allowed for market depreciation: if in private companies, no accurate assessment can be made until the relative Balance Sheets are also examined.

Sundry Debtors and *Bills Receivable* may have a temperate reduction for the occasional bad debt which every company meets now and again.

Cash items, such as Bank Balance, Petty Cash, will be taken at the stated figure.

Such unsubstantial (or even fictitious) items as Preliminary Expenses, Discount on Shares or Debentures, etc., will be ignored altogether on the Banker’s calculation; also—need it be mentioned—a debit balance on the Profit and Loss Account.

The total figure obtained after such a detailed examination of the assets will give a basis for calculating the amount

available to meet current liabilities, to pay off any Debentures and Loans, including a Bank Loan, and the residue which will be divisible among the shareholders.

But such an analysis alone will not serve to give the Banker a true and complete picture of the trend of the business of his customer; it will not tell him, for instance, whether business is increasing or decreasing, whether the company is overtrading, or whether the directors are taking too much out of the business. These facts can be ascertained only from the comparative statement of two or three years' figures, which will show also—

1. Whether stock-on hand is excessive;
2. Whether capital is too small for the turnover;
3. The ratio of gross profit to turnover, and net profit to capital;
4. Whether there are large loans to Directors;
5. Whether extended credit is taken.

ADVANCES AGAINST PRODUCE OR GOODS

Whether goods or merchandise are acceptable as security will depend largely on their nature; goods of doubtful marketability or of a perishable nature would afford a poor security for an advance. Some care, too, must be taken in their valuation and an adequate margin allowed for market fluctuations. The Banker must also be on his guard that accommodation is not taken to hold the merchandise for a possible rise in price, for this may or may not take place.

Produce or goods may be taken as security by obtaining and charging the documents of title which may be—

Bills of Lading, Warehouse Keepers' Warrants, or Dock Warrants. Acknowledgments and receipts such as warehouse keepers' receipts or certificates, delivery orders and similar documents are not sufficient to pass the title to the goods represented and are not a satisfactory security.

A *Letter of Hypothecation and Pledge* is usually taken with documents of title to goods. It defines the reason for the deposit and is in general terms so that it will cover and pledge one or several documents of title to goods passing through the Banker's hands from the signatories.

BILLS OF LADING

In taking Bills of Lading it is necessary to see that a full set is held; that they contain no adverse endorsement as to the state of the goods. They should be drawn to "order or assigns" endorsed in blank. The usual documents such as Invoice, Insurance Policy or Certificate must accompany the Bills of Lading. Date of arrival of goods must be ascertained and arrangements made if necessary for storage or warehousing.

WAREHOUSE KEEPERS' WARRANTS AND DOCK WARRANTS

These are taken when the goods have already arrived. They are transferable by endorsement but should be made out in the customer's name and endorsed in blank and evidence that the goods have been adequately insured should be seen.

Notice should be given to the Warehouse Keeper that the goods are to be held to the order of the Bank and the acknowledgment obtained.

RELEASE OF GOODS

Goods may be released to the customer by *Delivery Order*, authorized signatories to which have been advised to the Warehouse Keeper. But where the Banker still relies on the goods to secure his advance the release will be made under a *Trust Certificate* to preserve the Banker's right.

EXECUTORS' AND ADMINISTRATORS' UNDERTAKINGS

These call for very little explanation. They are applicable only for advances for payment of estate duty and expenses, i.e. funeral expenses and those in connection with the obtaining of probate or letters of administration, and from their nature the advance secured is of a very temporary character. Borrowing by the executors or administrators under their promise to repay out of the estate of the deceased is primarily a personal liability since they cannot touch the assets belonging to the deceased until legal powers have been granted to them. But it is as well to remember that the title and powers of Executors date back to the date of death, while that of Administrators only to the granting of the Letters.

Executors can, and do, charge any cash and securities in the Banker's hands belonging to the deceased for repayment of the money lent for this purpose. If he cannot see adequate cover in his own books the Banker may ask for additional collateral security or he may be content with an assurance from the solicitors that sufficient liquid resources are available to meet all indebtedness of the estate. Procedure—

1. Ascertain whether the persons applying for the accommodation are the appointed executors under the will. If there is any difficulty with this or the persons are unknown to the Banker a certificate by the solicitor attesting the facts and confirming the signatures may be obtained. So, too, if the proposed administrators are not already known to the Banker they must be introduced by reputable solicitors.

2. Obtain from the solicitors the amount required and the net value of the deceased's estate and prepare the Form of Charge. It is as well to check the rate of duty applicable. If it appears from the figures supplied to be unduly high, enquiry should be made of the solicitors whether this is due to aggregation, e.g. of life interests. Obtain the signatures of all executors consenting to act, or proposed administrators, to the Charge—stamp 6d.

3. Take steps to see that the indebtedness is covered by liquid assets as mentioned above.

4. Enter in Security Register and sort away. These undertakings are often entered in a special section of the Register as a convenience, in view of their temporary character.

CHAPTER XIX

MISCELLANEOUS BANKING SERVICES

THE business of changing foreign moneys is nearly as old as foreign trade itself. It is natural, and almost inevitable, that this country which depends so much on its foreign trade should develop a highly efficient financial and banking system for dealing with every phase of foreign business.

A good proportion of this work was formerly done by the London offices of the big German Banks, but now the British Banks have taken over the work, and their Foreign Departments have grown so large and important that they are often housed in separate buildings, and treated as separate and specialized Branches.

FOREIGN BUSINESS

This Central Foreign Branch with its highly trained staff is also at the disposal of any Branch of the Bank. It is found that a more efficient service can be rendered to customers if foreign transactions, apart from a small amount of money changing, and in a few instances the issue of drafts, be passed through this Central Foreign Branch. The local Branches then act merely as collecting and distributing agents. A Branch has only to telephone or advise by mail its requirements on behalf of its customers to draw upon the vast resources and comprehensive knowledge which the Central Foreign Branch has at its disposal.

In some Banks for urgent business certain selected Branches in the provinces are given power to transact foreign business on behalf of the smaller Branches within their area.

At the present time foreign trade and foreign exchange are subject to certain directions and restrictions by the Board of Trade and Bank of England on this side, and by various national regulations on the other. Also various directions and instructions have been and are being given under the Exchange Control Act, 1947. It is the duty of the foreign clerk to be

cognizant of, and up to date with, these facts. Since they are changing daily, if not, indeed hourly, no attempt can be made here to summarize.

It will be sufficient for our purpose if the more important services which the Foreign Branch of a Bank offers to its customers be enumerated—

The buying and selling of foreign notes and coins.

The negotiation or collection of foreign money documents.

The issue of drafts on most foreign centres.

The transfer of sums by mail, telegraph, or cable.

The issue of foreign trade credits, documentary credits, etc.

The issue of World Wide Letters of Credit, or Letters of Credit or Advices on one centre, for travellers.

Dealing with the shipping, landing, warehousing, and Custom formalities connected with imports and exports.

The care and keeping of currency accounts.

Forward exchange contracts.

Periodical payments by agents abroad.

Bail Bonds and Guarantees.

In addition the department is willing to aid exporters and importers, by placing at their disposal its vast organization for collecting *commercial intelligence* from every quarter of the globe.

FACILITIES FOR TRAVELLERS

Banks afford every facility to travellers for obtaining money when travelling in this country or abroad.

They include—

Letters of Credit.

Circular Notes.

Travellers' Cheques.

Advices: (a) Foreign.

(b) Home.

Assistance in obtaining passports or visas.

Advice on currency conditions abroad.

Letters of Credit. These may be of two kinds for travellers—

1. Limited, i.e. available at the Bank's Correspondents or Branch to whom the Letter is specially advised.

2. World Wide, i.e. available at all Branches and Correspondents of the Bank (subject to Bank of England sanction at the present time for certain countries).

Letters of Credit may be paid for in full on issue, or amounts may be debited to the customer's account as drawn under the credit. The latter is exceptional and is allowed only where the customer is undoubted, or has deposited security to protect the Bank against its undertaking in the Letter of Credit to honour drafts drawn thereunder.

When paid in full on issue, the Branch is debited with the amount and a Letter of Credit Account opened at Head Office. Thereafter the drafts drawn under the Letter are passed to Head Office through the usual channels for collection and payment of sterling drafts received from abroad, and are debited to the Letter of Credit Account until the balance is exhausted, the Letter itself being attached to the last draft.

Any unused balance is refunded to the customer of the Branch by Head Office, when the Letter is given up.

Where the Letter of Credit is not paid for in full on issue the amount may be passed to two contra accounts in the General Ledger, reversing entries being made whenever a payment is made, thus enabling the banker at any time to ascertain his total liability under Letters of Credit.

When an application is made for a World Wide Letter of Credit, and it is intended to use it in this country as well, this fact should be noted on the application form, for then it must be stamped with a 2d. stamp.

Circular Notes and Travellers' Cheques. Similarly Circular Notes and Travellers' Cheques are paid for in full on issue. The customer is really exchanging his own credit for that of a Bank; exchanging his own cheques for those of a Bank. Since a British Bank's reputation stands very high, he will have no difficulty in cashing its cheques almost anywhere, and in any case all the Branches, Agents, and Correspondents of the Bank have instructions to cash these documents on sight.

Both Travellers' Cheques and Circular Notes are issued in even amounts only. Practically the only difference between

the two forms is in the method of protecting the owner against consequences of theft. Circular Notes are issued with a separate *Letter of Indication* which the customer is asked to sign immediately and to keep separate from the notes, while Travellers' Cheques have no such additional document, but the purchaser is required to sign the face of each cheque at the time of the purchase.

Circular Notes are, as a rule, issued to the Branches by the Head Office on request, but a stock of Travellers' Cheques is kept at most Branches ready for immediate issue, although the amount of these cheques may not be debited to the Branch until Head Office is advised of their issue.

A little point which may be overlooked when issuing Traveller's Cheques is to charge the purchaser for the 2d. inland revenue stamp on each cheque.

Advices on Places in the United Kingdom. Where a customer is staying in the United Kingdom, and asks for facilities to cash his cheques, an "advice" is opened, where possible with a Branch of the same Bank; where no such Branch exists an agent of the advising Bank is asked to carry out this service. By a reciprocal arrangement between the large Banks "advice" cheques on another Bank are cashed free of commission.

Advice notes between Branches may be sent direct to the paying Branch or through the Head Office, fraud being guarded against by a system of authorized Branch signatures and secret code numbers. When addressed to a Branch of another Bank they are forwarded through the respective Head Offices in order to secure their confirmation.

Advice notes received at the Branch should be sorted in alphabetical order of drawer's signatures, or of drawee Banks, and kept in a drawer at the counter. As, and when, a cheque is paid under the advice, the signature should be agreed with the specimen remitted, and the amount paid noted on the advice sheet immediately. There is then no excuse for another cashier's overpaying the amount advised. To guard against advices running over the expiry date they should be diarized, and the diary examined daily.

Passports. A Branch may be of great assistance to customers proposing to travel abroad by relieving them of all the trouble

in obtaining Passports; renewing old ones, or getting necessary visas. Nearly every Branch keeps a supply of Passport Application Forms ready to hand: (a) for adults, (b) for the parent or guardian of a child under the age of 16 years requiring a separate Passport.

The form of application has been changed somewhat recently and the instructions printed on the front page for completion must be very carefully followed. The particulars should be filled in by the customer, including the small separate sheet which must bear a signature in the place indicated. There are two small items which are frequently overlooked. One is the registration number in Sections 1 and 6, and the other is the surname and Christian names on the front of the form.

STANDING ORDERS

All those regular periodical payments such as rent, insurance premiums, club subscriptions, school fees, donations, which are made by the Branch on the instructions of customers, come under the general description of "Standing Orders."

A certain number of these standing orders directly affect the ledger keeper who is responsible for seeing that they are carried through, and these have been mentioned in Chapter VIII. Others, which involve sending payments out of the Branch, are dealt with by the advice clerk.

The instructions first given by the customer and signed by him must bear a 2d. postage stamp, but the debits to the account made thereafter under the terms of these instructions do not attract duty.

A very careful diary system for payment dates must be adopted for these orders, for any oversight on the part of the Bank may be fraught with serious consequences. A good idea is to adopt a double diary system, one to be kept by the clerk responsible, and the other by the chief clerk or accountant to be used as a check. Another method of ensuring that no standing order is overlooked is the appointing of one clerk to prepare all credit slips and another to make out all debit slips, both clerks to be responsible to the accountant.

The original instructions are filed in order of customers' names.

Special arrangements are made to deal with the heavy club subscription payments to be made at the beginning of the year. These are paid, not directly into the club account by the Branch, but through the organization of Head Office where a special staff is detailed for the work.

TRADERS' CREDITS

Traders' Credits really form an extension of the principle involved in "Standing Orders." Large retail drapers and similar undertakings have every month some dozens, or possibly hundreds, of payments to make to various wholesalers. If they make these payments themselves by cheque a good deal of clerical work is involved and also very considerable expense by reason of the 2d. cheque stamp and 2½d. postage for each payment. In addition, if a receipt is required, there is a further expense, this time to the recipient, of a 2d. receipt stamp for sums of £2 and over, and a 1d. postage stamp; a total cost of 7½d. for each payment.

It is possible, by making use of the machinery of the Banking system, to reduce these costs considerably, and it is done by means of "Traders' Credits."

1. The trader arranges with his Branch Manager the charge for the service. The method of operation is explained to the customer, and he is supplied with the necessary forms, including—

(a) An authority to be signed by the customer's creditor to pay sums by Traders' Credits.

(b) Special credit slips.

(c) Forms for listing credits (in duplicate).

2. The trader must secure the consent of his creditors to this mode of payment and details of Bank and Branch where credits are to be addressed on Form (a).

3. He then fills in each of the credit slips (Form (b)) with the following particulars—

Name of Bank and Branch.

Account to be credited.

Amount.

These credits are listed on a summary sheet (Form (c)), in duplicate, cast and signed by the customer. He then draws a cheque on his account for the total.

4. The bundle of credit slips, list, and cheque are handed to the cashier who agrees each individual credit slip with the list, and the total with the cheque. He brands the lists with the Branch stamp, initials the duplicate, and returns it to the customer.

5. The credits and list are passed forward to the Waste Clearing, the debit being passed on to the ledger keeper, and the credit slips to the clerk dealing with Banker's Payments. These slips are sorted into Banks, and a Bankers' Payment made out in favour of the London Office of each Bank for the total payable by the Traders' Credits to its Branches. The payments are forwarded with the relative slips to Head Office, which hands them over to the Head Offices of the Banks concerned.

6. The Head Offices receiving incoming Traders' Credits redistribute them to the various Branches, crediting them and at the same time reimbursing themselves from the Branch Accounts kept with them.

7. The wholesalers' accounts are finally credited when these credit slips reach the Branches. As the Banks guarantee the safe delivery of all Traders' Credits, no advice of receipt is necessary, and the creditor is first made aware of the payment when he sees his Pass Book or Statement Sheet. Sometimes the Traders' Credit slips are included with the paid vouchers, and passed on to the customers.

The procedure appears to be somewhat cumbersome and complicated when reduced to print, but in practice it is very simple and efficient. The Banker accepts all the responsibility and work of distributing the sums mentioned in the Traders' Credits list, in return for which he receives his commission. The trader is saved the trouble and expense of making the payment, and the recipient the trouble and expense of acknowledging receipt.

DISCOUNTING

Discounting is simply another method of granting an advance, the security being the liability of the parties to the bill or note

being discounted. Of course, the Banker actually buys the bill or note from his customer, though he is very careful to retain the customer's liability by insisting on the endorsement of the bill by him. The amount charged as discount may be regarded as interest charged on the amount advanced until the maturity of the instrument.

Many points should be considered before a bill is discounted—

1. The state of the customer's account and his general financial position.

2. Whether the bill is a genuine trade bill or merely an accommodation bill.

3. Whether the customer is cross-firing; for instance, whether he is exchanging bills with the acceptor.

4. The trustworthiness and financial standing of other signing parties.

5. Whether many bills are held signed by the same parties.

6. Whether any of these bills have been returned unpaid.

7. The number and amount of bills already discounted for the customer.

8. Whether the bill is fully negotiable.

The decision on all these points rests with the Branch Manager, or if the amount is beyond his discretionary limits, with the higher officials of his Bank, on his recommendation.

Inquiry is also usually made into the financial standing of the acceptor to the bill to be discounted. If he is also a customer of the Branch, this inquiry is easily accomplished; otherwise a Banker's inquiry must be put through to his Bankers.

The amount of discount is then worked out and checked. It is calculated at the Bank's commercial paper discount rate on the full amount of the bill for the unexpired portion of its tenor. It is to be noted that Bankers' discount is not true discount; it is really interest upon the amount that is to be repaid.

Example. A bill for £100 is presented for discount on the 3rd August, due date 2nd November, and discount rate $4\frac{1}{2}$ per cent. Discount will be—

$$£100 \text{ for } 91 \text{ days at } 4\frac{1}{2}\% = £1 \text{ } 2\text{s. } 5\text{d.}$$

The customer is credited immediately with £100 and debited with the discount, £1 2s. 5d.

The recording of the transaction in the books of the Branch is as follows—

First of all the entries enumerated above must be put through the work in double-entry book-keeping form—

1. (a) Credit customer £100.
(b) Debit Bills Discounted Account £100.
2. (a) Debit customer £1 2s. 5d.
(b) Credit Discount Account £1 2s. 5d.

Discount Account is a Profit Account showing the amounts earned on bills discounted, although this sum is not fully earned until the due date of all the bills discounted. Consequently when the Branch profits are calculated at the half-year “balance,” Allowance is made for this unearned profit by deducting in the form of a “*Rebate*” the sum not yet due. Bills Discounted Account represents the total amount of bills discounted for customers and not yet due. When the discounted bill matures, Bills Discounted Account will be credited £100 and the proceeds of the bill collected through the usual clearing channels as explained in Chapter VI.

Particulars of each bill discounted are also entered in the following books—

- (a) *Bills Discounted Ledger* or simply *Bill Ledger*.

This is a subsidiary ledger similar to the Loans Ledger, and contains an account in respect of each customer on whose behalf bills are discounted. The total of the balances in this ledger agrees with the balance showing on Bills Discounted Account in the General Ledger. A separate page is used for each name, and is headed with all the necessary particulars.

- (b) *Bills Received for Discount Register*, or simply, *Discount Register*.

Full details of all bills discounted appear in this book, the bills appearing under consecutive numbers, and this number is written on the bill in pencil to facilitate easy reference.

All essential facts of the bills are recorded, including—

Date when discounted.

For whom.

Drawer's name.

Acceptor's name, address, and occupation.

Where the bill is domiciled.

Date of drawing.

Tenor.

Due date.

Amount.

Discount, rate, amount.

When remitted.

(c) *Bills Discounted Diary.*

This is essentially a due date diary, although the bill is often entered a few days before to allow time for collection. When worked out, the due date is written on the bill in pencil, and the entry made immediately in the Bill Diary, so that the bill will be automatically turned out in time for collection of the proceeds on the due date.

In addition, a *Card Index of Acceptors' Names* may be kept. These cards show the net liability of each acceptor to the Branch in respect of bills discounted and not yet due, the amount and date of inquiry made to his Bankers, and the reply received. In some Banks a *Discount Return* is made to Head Office, at certain regular intervals, giving full particulars of each bill discounted. By this means a centralized record may be kept, and Head Office is in a position to maintain a complete supervision as to total liability of any "name" to that Bank.

The bills themselves are sorted away in a Bill Portfolio, which is kept under the supervision of a senior official.

SHORT BILLS

"Short Bills" include all bills, whether short-dated or "long" bills, which are left with the Bank for collection and not for discount.

Such bills when received by cashiers should immediately be entered in a Memorandum Book, initialed and passed on to the clerk detailed to deal with them. This is on the general principle that everything must be entered in a book of original entry as soon as received in the Bank.

As in the case of bills discounted, the due date is calculated, written on the bill in pencil, and an entry made in the Bill

Diary of the date it is to be remitted for collection. In some Banks the amounts of Short Bills are also brought into the Branch book-keeping by opening Contra Accounts in the General Ledger. One account is credited and the other debited with amounts of all Short Bills as received and the entries reversed when the proceeds are credited to customers' accounts. In other Banks they are recorded in memoranda accounts only.

INCOME TAX RECLAIMS

In the preparation of Income Returns and Income Tax Reclaims the Banker can be of considerable service to his customers. The task is one, moreover, which, by virtue of his peculiar knowledge of his customers' financial affairs, he is best fitted to perform. A good deal, if not all, of the required data is already to hand, or obtainable from his books.

The growing popularity of this service and the specialized and involved nature of the work has in most Banks led to the creation of a special department at Head Office to deal with it. Although in some instances the work may be done at the local Branch, the tendency is to pass it on to the specialists at Head Office, the Branch then merely forwarding necessary documents and particulars. In order to avoid unnecessary correspondence in the collection of these particulars, it is usual for the Department to circularize Branches of its requirements in connection with the preparation of these Returns and Claims.

Here is an example—

1. Full name, address, and description of customer.
2. The Pass Book or Statement Sheets, which should cover the previous year, as well as the year to be dealt with.

If an account is kept also with the Post Office or another Bank, then the appropriate Deposit Book or Pass Book.

3. All dividend counterfoils, coupon tax certificate (R 189) and collector's receipts (where tax is paid direct by customer).

4. Full details of earned income, house property, and any income not shown in the account.

5. Full details of trust income (if any).

6. A Bank interest Certificate (R 62) when interest on loan or overdraft interest is paid.

7. Particulars of reliefs to be claimed, e.g. wife, children, dependent relative, housekeeper, life assurance, and age reliefs (where claimant or wife is 65 years of age or over and total income does not exceed or only slightly exceeds £500).

8. The Return Form and/or Renewal Claim Form, if in hands of the customer.

The forms R 62 and R 189 mentioned in the list are prepared at the local Branch. It will be noted that R 62 is a certificate showing the payment of interest only in respect of any loan or overdraft; any charges or commissions for conducting the account may not be returned.

R 189A is a certificate signed by the Branch Manager showing the amount credited to the customer in respect of coupons or warrants collected or negotiated, including dividends collected in "marking" names, less income tax which the Bank has paid over to the Revenue Authorities.

New arrangements have been made in regard to Double Taxation Relief where coupons or dividends are liable for taxation in two countries. In accordance with Section 52 of the Finance (No. 2) Act, 1945, English Companies which are allowed Double Taxation Relief in respect of the rate of tax payable in the United Kingdom must now deduct United Kingdom Income Tax from their dividends at the standard rate of tax in force. The rate at which any relief or repayment is due to a shareholder is, however, limited to the actual United Kingdom rate of tax paid by the Company. A new Income Tax Certificate Form R 189A-1 must now be used for such coupons or dividends. Where the Company is not registered in the United Kingdom Form R 189A should be used as heretofore.

Similarly special arrangements have been made with the U.S.A. and the Canadian Authorities in respect of double taxation and where United States or Canadian Income Tax has been deducted, and a credit in respect of such tax has been allowed against United Kingdom Income Tax, Forms R 189D and R 189F respectively must be used to record the items collected.

Thus there are now four types of Income Tax Certificates and some care is necessary in differentiating between the source of the dividend or interest. They are—

1. General R 189A.
2. Dividends of United Kingdom Companies payable to Bearer R 189A-1.
3. Dividends of United States Corporations, etc., R 189D.
4. Dividends of Canadian Companies and interest on Canadian stock R 189F.

**BANK ACTING AS EXECUTOR, TRUSTEE,
ATTORNEY, Etc.**

The Bank is also willing to act as executor, trustee or attorney on behalf of customers. Here again the specialized nature of the work has in many cases brought into being a separate department centralized at the Head Office. The rapid growth of this type of business has meant the opening of trustee branches in selected parts of the country. This enables the personal interest, so essential in work of this character, to be maintained.

CHAPTER XX

CORRESPONDENCE AND FILING

IN a very small Branch the letters and correspondence may be the sole concern of the Manager, where he reads and answers all letters personally, for he has all the information in his hands, and perhaps does not feel the need of an elaborate system.

Nevertheless, even in such a Branch, unless there is some order in the filing away of incoming letters and the preserving of copies of replies, there can be no continuity of control, an item of considerable importance, for when the Manager is away on holiday, or is transferred to another Branch, his successor must be able to pick up all the threads with the minimum of effort.

In a large Branch the need for order and system is more apparent, the Manager then being unable to deal with all the correspondence personally, and some system is imperative to see that all incoming letters requiring a reply are answered with the least delay, and that instructions received from customers are duly carried through.

All letters should receive attention on the actual day of receipt, and where a reply is necessary, the letter should be answered, if possible, the same day. If this cannot be done—when, for example, the necessary information must be sought for elsewhere—an acknowledgment should be sent to the customer immediately explaining when a reply may be expected. Any slackness in this respect is invariably interpreted by the correspondent as a sign of an inefficient organization.

INWARD CORRESPONDENCE

If the morning mail of a Branch is heavy, it is usual to detail one or two senior men to attend ten or fifteen minutes before the general staff to open the envelopes, and sort the letters in heaps according to their contents. Letters containing

valuables, Bank Notes, Bonds, etc., are all handed direct to the accountant.

Letters Received Book. In many Branches it is the custom to enter every letter received in a *Letter Register* or *Letters Received Book*. This is ruled with columns for the date, name, and address of sender, brief particulars of contents, and an initial column for the person dealing with the contents. Some Managers do not keep such a book on the score that it is not worth while, arguing that the very slight danger of a letter's being overlooked cannot be compared with the time spent in making a record which is so seldom consulted. On the other hand, there are one or two points in favour of some such record being kept.

It may be very useful to a chief clerk or accountant, for he can use it to check all correspondence, before passing it on to the Manager for signature. Incidentally, it will remind him to see that the work entailed in the letters is carried right through.

When all the envelopes have been opened, the contents are left for the inspection of the Manager. This he does usually in company with his chief clerk or accountant. Routine and departmental letters are soon looked through and passed on to the men concerned to be dealt with, the correspondence clerk naturally dealing with the bulk of them.

Letters of a controversial character are left to the last; the Manager decides what reply to make to these and the correspondence clerk is instructed accordingly. In certain instances the Manager may elect to reply himself or ask his chief clerk to deal with the matter.

Letters Containing Remittances. As has been stated above, letters containing valuables receive special and immediate attention. Credits are checked by a responsible official, usually the accountant, who enters the amounts on credit slips, and passes them on to a cashier at the earliest moment, for the customer may have issued an open cheque immediately against his remittance. The practice of using the letter itself as the credit slip has little to recommend it, and it is certainly open to the objection that it interrupts the continuity of the filing system.

In the event of there being a discrepancy between the amount advised in the letter and the actual contents received, the money should be carefully rechecked by another official and if it is still found incorrect, the remitter should be informed without delay.

Cheques sent for collection are branded immediately with the Branch crossing stamp, while any not yet due are treated as short bills, and entered in the Short Bill register. They are acknowledged immediately, the customer being duly advised when the proceeds are finally credited to the account.

OUTWARD CORRESPONDENCE

All outward correspondence must first be submitted to the Manager for his approval and signature. The junior of the Branch deals with the actual sealing and posting, collecting the signed letters from the Manager's basket, and Pass Books, cheque books, Statement Sheets, and similar items accompanied merely by a printed Manager's compliments form from the department or clerk concerned.

It is an invariable rule never to send a new cheque book with a Pass Book or Statement Sheet which is accompanied by paid vouchers. The reason is obvious. Cheque books are, therefore, always sent under separate cover in a sealed envelope.

If the letters are not typed in duplicate, the junior proceeds to take a facsimile copy of each letter before posting. It is essential that a copy of every letter sent out should be made, and so filed that it is available for reference at any time.

Copying Press. In the days when all letters were written by hand it was the practice to preserve copies by making impressions of letters in a *Letter Copy Book* by means of interleaved damp sheets and a copying press. This is still done in very small Branches, where perhaps the volume of correspondence does not merit the expense of a typewriter or an up-to-date filing system.

Carbon Copies. The reign of the wet rag and copying press began to wane as soon as the typewriter came into general use in Banks. The practice grew up of duplicating all typed letters by means of carbon sheets at the time of typing, and

then the duplicate sheet can be sorted away in an up-to-date filing system.

Rotary Copies. The carbon copy system is open to the serious objection that letters may be altered or amended by the signing official after the carbon copy is made, in which case the copy may not be a true record of the letter as it leaves the Branch. To remedy this a new system has been devised which it is claimed gives a facsimile copy and at the same time possesses all the advantages of modern machine methods. This is accomplished by means of a Rotary Copier.

The typist is freed from the bother of carbon duplicates, for the machine obtains copies from the original by pressure and carries a roll of specially-prepared paper, no water being required. The letters are fed into the machine by the turning of a handle, or by the use of an electric switch, and the copies are cut from the roll by a lever knife fitted to the machine. The copies may, of course, be preserved in the normal filing system.

Postages Book. All outward correspondence is recorded in a *Postages Book*, including names, addresses, and cost of postage. A strict account is kept of all stamps used, and the *Postages Book* should be checked, and the balance of stamps agreed at frequent and irregular intervals by a senior clerk.

In large Branches a *Stamp Franking Machine* may be used, which brands letters with a stamp and records the number so branded. It incorporates a meter which is set and locked by the Post Office officials according to the amount prepaid; when this amount is exhausted, the machine becomes inoperative and must be reset.

Registered Letters. These require special treatment. A senior official, probably the correspondence clerk, is responsible for seeing the actual contents, as advised in the letter, placed in the envelope, and the flap effectively sealed. He must see also that a receipt is obtained for it from the Post Office, agree this with the entry in the *Postages Book*, and initial the entry to show that this has been done.

All letters for the post should be carefully checked with the *Postages Book* before posting, the time of posting noted, and the entries for the day initialed by the checker and the postal

clerk. The letters should be conveyed to the Post Office in a bag, and not carried loose in the hands of a messenger or clerk, and should always be taken by two persons.

GENERAL CONSIDERATIONS AS TO BANK LETTERS

A Bank letter should be a model of good English. It should be concise and to the point without in any way appearing to be rude or abrupt; the day of special letter jargon is definitely over, certainly so far as Bank correspondence is concerned. Much has been written on the subject of good letter writing, and the earnest correspondence clerk is referred to these writings for guidance.

For many letters the stereotyped replies, which are printed in most Banks, can be used, and save considerable work. Although "form" letters are of little use for Bank correspondence, it is possible to compile a number of "form paragraphs" dealing with most of the matters likely to be met with, and to mark each letter with the numbers of the paragraphs to be sent in reply, but in practice this saves very little time, and is scarcely worth while.

REPLIES TO STATUS INQUIRIES

Answering status inquiries is one of the many services which a Banker will undertake on his customer's behalf, but the inquiry must come from a Banker or from a recognized trade inquiry agency. If an inquiry is received direct from a private person or firm, this rule should be politely pointed out in reply, coupled with the suggestion that the inquiry will receive attention if made through their Bankers.

Some care must be given to the accuracy of the reply to a status inquiry, for to answer too little may be as dangerous to the customer's credit as to answer too much.

Perhaps Mr. Heber Hart best sums up the position of the Banker when answering status inquiries, when he says that "it is not the duty of a banker to make inquiries other than what appears from the books of account before him, or, of course, to give information other than what he is acquainted with from his personal knowledge. A banker can be made liable

only if he answers an inquiry, knowing what he says to be untrue, or recklessly, without caring whether it be true or false."

In certain instances the Manager may not feel justified in giving a definite reply, but will "hedge" a little. For example, an inquiry is received naming a respectable customer who keeps a steady but small average balance, asking whether he is considered good for £200. The figure is higher than the Manager is used to seeing in that customer's name. He may definitely say so and decline to give an opinion. On the other hand he may reply in the following or similar terms—

"—— is respectable and trustworthy. Although I cannot answer definitely for your figures, I have no reason to suppose that he would undertake any obligation he could not see his way to fulfil."

Reading between the lines of such a reply, the inquiring Banker obtains a definite impression. He can tell that the account is satisfactory and regularly conducted, but that the figure quoted is larger than the average balance.

FILING SYSTEMS

A complete system of recording all correspondence passing through the Branch is essential. It includes the preserving of copies of outward correspondence, as well as letters received, and it is so important that much time and thought has been expended in devising various systems.

Each system must be studied on its merits and in relation to the work it has to perform, but when adopting a new system for a particular Branch the following points must be studied.

1. *Simplicity*. Is the system such that it can be understood by the whole staff and readily taught to a new junior? Will it take up too much time?
2. *Comprehensiveness*. Does it cover the whole of the correspondence dealt with in the Branch?
3. *Compactness*. Will it demand too much space in the office?
4. *Expense*. Is the cost of the equipment reasonable?

The old system of spike and pigeon-hole is out of date, and the Vertical Filing System which has taken their place is

undoubtedly efficient. Unfortunately, its equipment is somewhat expensive for a small Branch and many have to carry on with a system of their own devising, using the ordinary drawers of the desks or an old cupboard for filing. One drawer will contain all inward correspondence, the letters being sorted in alphabetical order and placed in between stiff cards marked with the letters of the alphabet, these cards also serving to keep the letters in an upright position, the last dated letter being placed at the back of each batch. Another drawer will contain Head Office and Branches Correspondence and so on.

It may be that special filing cabinets can be employed—a considerable improvement. They consist of cabinets of drawers labelled with the various letters of the alphabet; the drawers may be further subdivided by sheets of stout Manilla paper into vowels, e.g. B A, B E, B I, B O, B U. When a drawer becomes full, the letters are removed, and placed in the same order in a binding case, which is marked on the back with the initial of the drawer and the period covered by the correspondence thus:

CUSTOMERS' LETTERS

B.

1/1/48 to 30/6/48

VERTICAL FILING

In this system full advantage is taken of the new copying methods to co-ordinate incoming correspondence with the outgoing reply. All copies of letters to a customer and all inwards correspondence from him are sorted in one container. These consist of tough manilla folders, or binders, kept in a vertical position, open side up, in special drawers. The drawers are kept in metal cabinets fitted with quick locking devices.

It will be observed that the press copy book has no place in this system, and outward letters are duplicated by the carbon process or else copied by the Rotary Copier. The duplicate sheet is then sorted with the letter from the customer to which it refers in a folder, one folder being set apart for each correspondent, all being kept in alphabetical order.

CHAPTER XXI

THE BRANCH BANK AND COURT ORDERS

IN the ordinary course of his daily business the Branch Banker is inevitably brought into contact with the work of the Law Courts; all too frequently he is affected with notice of some Order of the Court, which reacts of necessity on the contracts written or implied into which he has entered with his customers. The law of the relation between Banker and customer is a subject which has been treated in detail and from many aspects by those competent to do so, and the student is referred to their works for a full explanation of all matters relating thereto.

The writer feels, however, that a practical work of this description, dealing as it does with the daily work of the Branch Bank, would be incomplete without some reference to the effect on the Banker's ordinary procedure of some of the more common of these Court Orders. No attempt is made to explain the law in detail, nor to cover the Banker's course of action in every conceivable case. The aim is rather to give a brief description of the Orders, so that they may readily be recognized, and to suggest the broad outlines of the course to be adopted in the majority of cases.

GARNISHEE ORDERS

Definition. A Garnishee Order is an order of the Court obtained by a judgment creditor attaching funds in the hands of a third party who owes the judgment debtor money. It warns the third party not to release the money attached, and to attend at a given time and place to give reason, if any, why the money should not be applied in settlement of the debt due to the judgment creditor. It is a ready method of collecting a judgment debt. Since by the very nature of his business the Banker is a debtor to so many people, it is natural that he should be cited very often as a garnishee, and subject to the service of the Garnishee Order.

The Order may or may not be served on the Branch direct. Perhaps the first the Branch Manager will hear about the matter is a telephone message from Head Office warning him that a Garnishee Order has been served on his customer, and instructing that all transactions on the account must cease.

There are two kinds of Garnishee Order—

1. A High Court Order—a Garnishee Order *nisi*.
2. A County Court Summons.

The Summons gives the garnishee the option of paying into Court the amount of the judgment debt, or the balance of the account if less than this sum, providing he does so within five clear days before the matter is to be heard, or to appear before the Master to answer the summons. The High Court Order differs in that there is no machinery by which the money may be paid into Court to discharge or reduce the debt and so keep the costs down to a minimum.

The second part of the Order is known as the *Garnishee Order Absolute*, which directs the payment of the money. Payment under this Order constitutes a legal discharge to the garnishee, and, if a Banker, allows him thereafter to continue his account with the customer.

Service. An Order must be served on the registered office of the Bank, and a copy may also be served at the Branch where the account garnished is kept. This copy must be scrutinized carefully. The Branch Manager should be able to identify his customer with the judgment debtor: any slight misdescription will not avoid the Order, but, if there is a genuine doubt the Manager need not stop the account, but should get in touch with the judgment creditor's solicitors.

Joint Accounts. A Garnishee Order for a private customer does not attach a balance standing to his name jointly with another, even if either party may sign. An answer in this case would be "No account in the sole name of the judgment debtor." But a Garnishee Order issued on joint names covers either party's private account.

Trust Money. Trust funds in a private account are not attached by an Order in the name of the account holder.

Firms. An order will attach the account of a firm, if the

person cited is the sole proprietor, but not if other parties are interested in the account.

When the account can be sufficiently identified, it must be stopped immediately; all cashiers and the ledger keeper must be informed that no cheques may be paid on the account without reference to the Manager.

Sums Attached. The amount attached by the Order includes all debts "due and accruing due" to the customer at the moment of the service of the order, which includes—

- (a) The whole credit balance on current account.
- (b) "Call" deposits.
- (c) Deposits lodged for fixed periods.
- (d) "Notice" deposits, where notice of withdrawal has been given.

Of course, if the only balance held is a debtor balance, then there is nothing to attach, and the Banker will answer the Order accordingly.

Where the customer keeps two accounts, one being allowed to go in debit against the other credit balance by a set-off agreement, the Banker is entitled to combine the two accounts and declare the net amount. He may also deduct interest due to date, but not commission.

The position where one account is a loan account is more doubtful. It is probable that the Banker may have no right to combine the two accounts and declare the net amount. In any case the current account should be stopped, and the Court informed that the Bank claims a lien on the current account in respect of moneys owing on loan account. Where securities are charged to a Bank under one of its Charge Forms, a specific lien is nearly always created on the customer's credit balance.

It should be noticed that the order is effective from the *moment* of service, i.e. from the moment of receipt by Head Office or Branch, whichever is first; although, if served on Head Office only, a reasonable time is allowed for Head Office to inform the Branch. Credits paid in for the account later in the day are not attached. Whether it attaches cheques credited to the account as cash, but still in the course of

collection, there is some doubt—the safer course seems to be to regard the whole balance as attached.

If the customer should have a large credit balance on his account, and there should be a substantial margin between such balance and the amount of the Garnishee Order plus an allowance for costs, the Manager may exercise his discretion in allowing accommodation on a No. 2 account, until the Order has been discharged, when the accounts would be merged. Some care, however, must be exercised in using this discretion for the following reasons—

(a) If “costs to be taxed” be found and the customer disputes the Order, heavy litigation may ensue, and should the customer lose the case costs might mount up to a considerable sum.

(b) Another Garnishee Order may be issued attaching the remainder of the balance.

(c) A bankruptcy order may be made against the customer when the whole balance rests in the trustee. A Receiving Order takes priority over the Garnishee Order, unless the latter has been made absolute.

(d) Part of the balance may be trust funds, unknown to the Banker.

(e) The Court may order an injunction restraining the Banker from parting with balances.

Settlement. If the Order is issued from the High Court, the whole matter is usually put into the hands of the Branch solicitors. Payment as directed in the Absolute Order is made by cheque on their account. Under a Summons, the judgment debt, or the balance of the account if less than this sum, may be paid into Court by the Banker himself, and the receipt of the Registrar on the Summons itself is a valid discharge. If the debtor pays the debt by cheque, the banker need not stop that cheque, but all others which he does not pay under his discretion must be returned marked “Account attached” or “Balance attached.”

If there is nothing to attach, the solicitors for the judgment creditors should be informed of the fact, with a request that they withdraw the order. Should they decline to do this, the Branch solicitor attends before the Master on the day

the Order is returnable and asks for the Order to be discharged. The judgment creditor is then liable for Bank costs.

The Order does not entitle the Banker to give any information to anyone about his customer's affairs; indeed he need give the Court only the information explicitly asked for or which he finds necessary to exert his own right of set-off.

Summary of Procedure. 1. Receipt of Garnishee Order *nisi*, or Summons, or advice from Head Office that one has been served on that Bank.

2. Check copy and identify customer.

3. Stop account, inform all cashiers and the ledger keeper; mark the account.

4. Notify the customer, whether in credit or not.

5. Put into hands of Branch solicitors.

6. Settlement—

(a) Money paid into Court; or

(b) Payment under direction of the Absolute Order; or

(c) Order discharged.

7. Advise customer of settlement.

Needless to add the Head Office is kept informed of the course of the proceedings.

BANKRUPTCY ORDERS

Orders in bankruptcy, and bankruptcy proceedings against his customers, are, alas, all too familiar to the Banker. He is involved in many ways, and may be called on to take an active part in the proceedings. The Bankruptcy Act, 1914, governs the procedure, which may be briefly outlined as follows—

I. Before proceedings can be commenced, the debtor must commit some action which in itself is evidence of insolvency; this is called the *act of bankruptcy*.

Eight such acts are specified—

1. Assignment of property to trustees for the benefit of all creditors.

2. Conveyance of property so as to defraud creditors, i.e. with intent to defeat or delay creditors.

3. A fraudulent preferment of one creditor when insolvent. This must not be as a result of threat or force.

4. "Keeping house" to evade creditors.

5. Seizure of goods by the sheriff, after execution has been levied against the debtor.

6. A Bankruptcy Petition presented by the debtor against himself.

7. Failure to comply with a Bankruptcy Notice to pay a judgment debt served on a debtor.

8. Notice to creditors of suspension of payment of debts.

II. The next step is the presentation of the *Petition* asking that a Receiving Order be issued. This may be presented by the debtor himself as in (6) above, or by the creditor or creditors qualified to do so under the Act.

III. The Court may then—

- (a) Dismiss the Petition, when all proceedings cease; or
- (b) Issue a *Receiving Order*.

This is an Order issued to protect the estate of the debtor pending a further inquiry, and places his affairs in the hands of the *Official Receiver* of the District.

IV. Within a limited time after the issue of the Receiving Order the debtor must submit to the Official Receiver on a scheduled form a list of his assets and liabilities known as a *Statement of Affairs*.

V. A *meeting of creditors* is called to discuss the best course to be adopted, which may be—

- (a) To accept a composition or scheme of arrangement.
- (b) To allow the debtor to be adjudicated a bankrupt.
- (c) To accept a composition or scheme after adjudication.

VI. A *Public Examination* of the debtor is also arranged.

VII. The debtor may then be adjudicated a bankrupt in the *Adjudication Order*. This Order vests the property of the bankrupt in a *Trustee*, with or without the help of a *Committee of Inspection*, whose duty it is to realize the assets to the best advantage and to distribute the proceeds among the creditors equitably.

All creditors claiming a dividend must submit a *proof* of debt.

VIII. *Dividends* are declared and paid by the Trustee as expeditiously as possible, until all the available assets are distributed.

IX. At any time after the Adjudication Order the bankrupt may apply for his *discharge*.

Procedure in Relation to Bankers. When a Receiving Order is made against a customer, all transactions with him must cease and the account be stopped. The Adjudication Order vests the property of the bankrupt which is in the Banker's possession in the Trustee. Moreover his title to such property "relates back" to the first available act of bankruptcy, i.e. the first committed within three months of the petition on which the Receiving Order is based. This would press hardly on a Banker, if he were not granted a certain measure of relief by Sections 45 and 46 of the Act. The necessities of the case therefore dictate a certain course of action by the Banker from the moment his customer commits an available act of bankruptcy.

1. When the Branch Manager receives notice that his customer has committed an available act of bankruptcy, he is safe in paying cheques or delivering securities to the customer himself but not to third parties.

He should therefore explain the position to his customer and inform all cashiers and ledger keepers that no third party cheques on the account can be paid until further notice. Security clerks should also be informed of the position. The usual practice is to write such instructions in a Memorandum Book which is passed for perusal and initial to all members of the Staff affected.

Careful watch should be preserved for a period of three months, at the end of which period, if no petition based on the act of bankruptcy is presented, the customer is free to operate the account normally.

2. Where the Branch Manager receives notice of a petition, no cheques may be paid or securities delivered even to the customer himself. The staff should be informed to this effect. The Manager will endeavour to get into touch with his customer. Meanwhile all cheques should be returned "Refer to Drawer."

3. The issue of a Receiving Order automatically stops all transactions with the customer. Notice of the Order may be received from Head Office by telephone, or from the Board of Trade, or it may be advertised in the *London Gazette*, *Perry's Gazette*, or similar publications. Unfortunately, from the Branch Manager's point of view, this order takes effect against a Banker from the earliest moment of the day on which it is made, whether advertised or not. This has caused some hardship to Bankers in the past, but some relief was afforded by the passing of a short Amending Act in 1926. The Trustee is now bound to endeavour to obtain a refund from the payees of cheques paid after the date of the Receiving Order the advertisement of which has been delayed.

Having stopped the account, the Branch Manager reports the facts of the case and full particulars of the account to his Head Office, which instructs him how to proceed. In due course also the official Statement of Affairs, with the name of the Trustee if one is appointed, should be notified to Head Office. The forms of Proof of Debt, if necessary, and Proxy are prepared and signed by officials at Head Office specially authorized by the Directors.

Nothing should be done by the Branch Manager without instructions, and these will naturally depend on whether the customer is a creditor or a debtor in that Bank's books.

The first step is to write a letter to the Official Receiver to inform him of the Bank's position with the debtor, or to answer his query on the point. Where the account is in credit, and the Bank has no claim on it by way of lien or set-off, the Branch Manager is usually authorized to remit the balance to the Official Receiver. In any case the Receiver will require a return of the amount of such balance, and may request the Banker to forward Statement of Account made up to date.

If the customer is in debt to the Banker, the course of action will depend on whether the debt is—

- (a) Secured; or
- (b) Unsecured.

If (a) it may be—

1. Fully secured by property of the debtor.

2. Secured by property of debtor and of a third party.

3. Covered by third party security only.

A secured creditor is defined in the Act as "a person holding a mortgage, charge, or lien on the *property of the debtor*, or any part thereof." With security then of a third party, e.g. a guarantee, the Receiver is not interested, and the Banker may, if he so desires, ignore such security and prove for the whole debt.

A secured creditor has four courses open to him—

I. Surrender his security, and prove for the whole debt.

II. Realize the security, and prove for the difference, if any.

III. Value the security in the Proof and claim on the deficiency.

IV. Rely on the security and make no Proof.

The guarantor or owner of third party security should be given notice in writing, and repayment of the debt is often demanded at the same time. All sums received from these persons should be placed to a separate account, so as not to reduce the amount of the Bank's Proof against the estate of the principal debtor. Under the terms of a Bank guarantee form, a guarantor waives his right to prove in competition with the Bank; the form therefore should be retained, and in no case should it be marked "Cancelled," or surrendered, until the Bank's full claim has been satisfied.

Which of the four courses open to him the Banker will take will be governed by the circumstances of each case. In the majority of cases it will be Course II.

Where the debt is unsecured, the course of action is clear—the Bank must rely on a dividend from the estate.

Joint Accounts. When one party to a joint account commits an available act of bankruptcy the Banker must proceed with some caution, for payments by that party to third parties will not be valid as against the Trustee.

When a Receiving Order is made against one party to a joint account, the Banker should break the account, and pay no more cheques on it, even when drawn by the solvent party; for the money will have to be apportioned between the solvent party and the trustee for the insolvent party. Cheques drawn by the insolvent party should be returned marked "Refer to

Drawer." Mr. R. W. Jones, in his Gilbert Lectures, suggested that perhaps the best answer on cheques drawn by the solvent party would be, "Joint account holder B in bankruptcy," so as to safeguard the credit of the solvent party as far as possible.

The Official Receiver should be informed that there is no account in the sole name of the debtor, but he is known in account with another party, on which account there is a balance of so much. This money should not be handed over to the Official Receiver without the authority of the solvent party.

If the joint account is overdrawn, all relative particulars may be given to the Official Receiver, and the course then to be adopted will depend on the circumstances of each particular case. Where there is any doubt, it is always safer to refer the position to the specialists at Head Office and be guided by their greater experience.

Partnerships. On the bankruptcy of a partner—

(a) If partnership account is in credit: Continue account, but the name of the partner should be struck out of the ledger and a note made of the state of the account at the time when the notice is received.

(b) If the account is in debit: Where it is desired to proceed against the bankrupt partner, break the partnership account, and open a new account to carry on the business of the firm. The old account will be used for liquidation purposes only.

Bankruptcy of Guarantor. In this case the Guaranteed Account should be broken, and future transactions placed to a new account, which, unless there is further security, should be conducted in credit. The Head Office should be informed at once, and definite instructions awaited.

Dealings With an Undischarged Bankrupt. Until the Trustee intervenes, an undischarged bankrupt is entitled to deal with his property, provided it has been acquired after adjudication. A banker is protected by Section 47 of the Act of 1914 in all his dealings with a bankrupt in respect of this after-acquired property, provided they are carried out *bona fide* and for value. An obligation, however, is placed on the Banker to inform the Board of Trade or the Trustee directly he learns that his customer is an undischarged bankrupt, and he may allow no more transactions on the account except under direction from

the official in charge of the debtor's affairs, unless no instructions are received for one month after giving notice, in which case the account may be continued.

Branch Managers are aware of the risks attendant upon the conduct of such accounts by reason of the difficulty of distinguishing between moneys which are acquired after bankruptcy and those which are not, and every care is exercised to prevent opening accounts of this nature.

Moreover, should the wife of an undischarged bankrupt wish to open an account to carry on the business formerly conducted by her husband, the banker would be wise to give notice to the trustee and obtain his consent. It should also be noted that an undischarged bankrupt cannot get over his difficulty by forming a private limited company to carry on his business, for by the Companies Act, 1948, it is a criminal offence for him to take part in the management of any company without leave of the Court by which he was adjudged bankrupt, unless he has so acted for the Company continuously since prior to 3rd August, 1928.

DEEDS OF ARRANGEMENT

So closely allied are Deeds of Arrangement with bankruptcy proceedings that they merit some reference here. They are now governed by the Deeds of Arrangement Act, 1914.

When a debtor, who may be a customer of the Branch, finds himself in financial difficulties, he may decide to call together his creditors and propose a scheme for dealing with the situation. Such creditors may or may not agree to the arrangement suggested, but if they do come to an agreement with the debtor, the terms will be incorporated in a Deed of Arrangement.

It should be noted that the calling of the meeting does not of itself constitute an act of bankruptcy, unless the notice is accompanied by a statement that the debtor is suspending payment of his debts. The execution of a Deed of Arrangement, however, is such an act, and any dissenting creditor with the necessary qualifications may take advantage of it to force matters through the Bankruptcy Court. Normally he has three months in which to present his Petition, but the Trustee appointed by the Deed may reduce this period to one

month by giving him notice. After that period the Deed becomes binding on all dissenting creditors.

When a Branch Manager, therefore, receives notice of the execution of such a Deed by his customer, he would be unwise to pay cheques on the account except to the customer himself until the Deed becomes effective. Thereafter transactions on the account will be governed by the terms of the Arrangement.

LUNACY ORDERS

Where a Branch customer becomes of unsound mind, the Manager is placed in a very awkward position, for contracts made by lunatics are voidable. Where it can be shown that the lunatic customer was, at the time of making the contract, incapable of realizing what he was doing, and that the other party was aware of this fact the contract is voidable, and may possibly be repudiated by the customer during a lucid interval. It is unsafe, therefore, to do business with such a person. Proved lunacy revokes any authority the customer may have given and determines the duty of the Banker to pay his cheques. But mere eccentricity of manner is not sufficient to revoke such authority, and a "difficult" customer must be treated warily. Even if the Branch Manager has good ground for the supposition that he is not of sound mind, and acts, as he thinks, for the customer's own good by refusing to carry out certain instructions, or to pay certain cheques drawn on the account, he may find that the same customer appears to be very rational in a Court of Law, and the Bank may suffer heavy damages through the hasty judgment.

Where the customer is undoubtedly insane, the Manager's position is perfectly clear; he should stop the account and await the appointment by the Masters in Lunacy of a Receiver or Committee. The appointed person or persons may then deal with the estate of the patient, including any credit balance with the Bank.

It must not be thought that an appointment of a Receiver by the Courts is only possible in the case of obvious lunacy, for in effect, the procedure is practicable and indeed frequent, in cases of mental afflictions which fall short of the condition necessary for actual certification.

The appointment of the Receiver and instructions for dealing with the estate of the patient are incorporated in what is known as a Lunacy Order. This is in two parts—

1. The Order of Appointment.
2. The Lodgment Schedule.

The Banker may also be concerned in another document called a *Banker's Receipt*.

The first part of the Order deals with two matters—

- (a) The preamble and appointment of the Receiver, stating his term of office.
- (b) Instructions for disposition, disposal, and future conduct of the estate.

The Lodgment Schedule accompanying the Order details the immediate disposition of the estate, and is the authority for the Bank of England to accept the moneys and securities ordered to be transferred. Surplus moneys in the estate are frequently directed to be paid over to the account of the Accountant General of the Supreme Court.

Until production of the Lunacy Order the Banker may take instructions from nobody. Even after that date directions may be accepted only from the patient's representative appointed by the Court, and then only within the powers granted by the Masters in Lunacy.

These instructions usually include some provision for the payment of debts, care of dependants, if any, immediate expenses, as well as details of disposal of future income. Often the Order directs that some of the securities of the patient shall be held by the Banker in safe custody, in which case the Master in Lunacy may require a *Banker's Receipt*.

It is obvious then that the Branch Manager must make a careful note of the contents of the Order; indeed he will be wise to apply for an "Office Copy." All directions in it must be faithfully carried out, and it is not safe for the Banker to do more or less than he is ordered to do in this document. For example, there may be another credit balance in the patient's name at the Branch which is not mentioned in the Order. This sum should not be paid over to the Receiver nor according to his direction, unless it is of negligible amount:

the instructions of the Masters in Lunacy should be sought as to its disposal. In practice the solicitors acting for the Receiver are informed of the sum, and they approach the Master with a request for a further Order to supplement the first.

The Order gives the Banker complete authority for any payments or transfers to the Receiver, and coupled with the *Receiver's Receipt* constitutes a full discharge.

Death of the patient terminates the authority of the Receiver. The estate is then administered under the ordinary laws and rules applicable to estates of deceased persons.

Joint Accounts. Where one customer of a Joint Account becomes insane, the account should be stopped pending official instructions, even in cases where either party may sign.

Partnerships. If no provisions are made in the Partnership Deed, the partnership will be dissolved, and a new Deed drawn up. The insanity of a partner, however, is usually provided for in the Deed; in any case the Banker may not act on the instructions of the lunatic.

Small Estates. Where the estate of a lunatic is small, proceedings in lunacy may be cheaply and expeditiously put through the Personal Application Division of Management and Administration Department, Law Courts. The Branch Manager should direct relatives to that Department, and he will be safe in giving full particulars of the account in the Application Form, provided he gives it to a responsible person, such as a solicitor acting on behalf of the patient, or direct to the Court.

Lunatic a Borrower. If the patient has been advanced money against security, this security will not be prejudiced by his lunacy; if by way of loan, the credit balance may be drawn upon by the Receiver under his Authority.

Procedure in Brief. 1. Stop account and await Lunacy Order.

(The Manager may use his discretion whether he allows the wife of a dependant to overdraw on a separate account pending receipt of the Order.)

2. Return cheques marked "Refer to Drawer," not "Customer insane."

3. When Lunacy Order is received make a careful note of the contents or apply for an "Office Copy."

4. Carry out the instructions in the Order in detail, giving Banker's Receipt if required.
5. Pay over the balance to the account of the Accountant General at the Bank of England, if required in the Lodgment Schedule.
6. Allow Receiver to operate on the account under the powers granted in the Order.
7. Receiver's authority is terminated by the Masters in Lunacy or on death of patient.

CHAPTER XXII

THE ACCOUNTANT

ONLY the larger offices can boast the luxury of an accountant, or, to give him his alternative title, a chief clerk. His duties are concerned chiefly with supervision, he being responsible to the Manager for the efficient running of the office. He attends to the organization of all routine work, and all staff matters of a routine character.

He supervises the preparation of the various statistical returns to his Head Office; sanctions and initials all debit items initiated in the Branch, and sees that all transactions are carried right through the work and brought to completion. No "loose ends" or "outstandings" must he allow to pass without an adequate explanation.

At the same time he is expected to assist the Manager; to be ready with any facts about a customer which may be required at an interview. In addition he must make himself cognizant of all that his Manager is doing so that he can act as his deputy at a moment's notice, and preserve the continuity of contacts with the customers.

Per contra, he should keep his Manager informed of anything of importance brought to his notice affecting the accounts, so that the Manager can keep in touch and control all developments.

An efficient accountant makes all the difference to the running of a Branch. He can relieve the Manager of many trifling worries, and leave him free to concentrate on expanding the business, and give his whole attention to interviewing and administration.

It will be observed that the position is no sinecure. It has been described as the most worrying position in the Branch, for the accountant has an eye on early promotion to a Manager's chair, and cannot afford to make a mistake. It may be described, if you will, as the last of the educative processes through which the complete Banker must graduate

before he is granted the sole control and responsibility of a Branch.

The duties of the accountant may be more fully tabulated as—

I. Supervision of Routine Work

(a) Organizing staff and departments, allotting work and making out Work Cards.

(b) Supervision of all departments, and dealing with queries as they arise.

(c) Checking all outgoing correspondence, and seeing that instructions contained in inward correspondence are carried through.

(d) Dealing with queries at the counter.

(e) Supervising all returns to Head Office, especially Half-yearly or Yearly Statements of Branch Totals and Branch Profit and Loss Statement.

(f) Seeing that all Head Office instructions are obeyed.

(g) Checking the Diary System of the Branch.

(h) Checking and initialing all debit items initiated in the Branch.

(i) Keeping an eye on loose-ends—"outstandings," details of new accounts not completed, etc.

II. Staff Control

(a) Preservation of good discipline.

(b) Supervision of staff training—interchange of work.

(c) Making arrangements *re* illness.

(d) Arranging work and remuneration of office cleaners, window cleaners, etc.

(e) Superintending employers' Returns, Health Insurance cards, etc.

III. Assist Manager

(a) Acting as Deputy Manager in absence of the Manager from the Branch.

(b) Supplying Manager with all facts required about an account in preparation for interviews.

(c) Being ready at all times to give an opinion as to a

course of action to be followed. It is a great help for a manager to be able to consult with his accountant during the course of a difficult negotiation.

This makes a very imposing list. At first sight it would appear that the unfortunate accountant is rarely, if ever, able to get home in time to see his children before they are tucked in bed. The wise accountant, however, soon learns that there are many ways at his disposal of shifting some of the burden of work, if not the responsibility. A judicious choice of men to take charge of each department and be responsible to him for the smooth running of that part of the work is a great help. It is a grave mistake for an accountant to try to do all the important work himself for fear that, otherwise, it will not be done to his satisfaction. He is far better employed in checking the work when done; furthermore, the "fresh eye" which he can bring to this check is far more likely to spot a flaw in the work. His most valuable contribution to the work of the Branch is in maintaining an efficient supervision.

SUPERVISION OF WORK

When the accountant takes over his duties in an established Branch, he finds the machine running. It may not run to his liking; nevertheless it is revolving and his first consideration must be to make it as effortless as possible. The routine part of it, the book-keeping side dealing with the accounts, has been so carefully constructed that its action is practically automatic, check and counter-check follow almost automatically, that is, if the machine is worked according to instructions.

That is the point where the accountant's supervision of routine work comes in. Clearing House Rules, Head Office instructions for checking balances, rules for cashiers, etc., must be scrupulously observed. Apart from its fair distribution, the actual day-to-day work should cause the accountant very little worry.

When he considers the work of the other departments of the Branch, however, the accountant realizes that he has to deal with quite another problem. Here he must adapt the machine to meet the exigencies of the work; more particularly

he must arrange for an adequate and efficient check on work done.

A constant succession of standing orders overlooked, advices not renewed on due dates, Head Office Returns omitted, will soon turn the accountant's hair grey. Such oversights should not occur where the work is independently checked as a matter of routine, and the double diary system is one quite useful method of achieving this with the minimum of effort. The first diary is kept by the man who must actually do the work; the second can be kept by the accountant himself.

ACCOUNTANT'S DIARY

The accountant's diary, which is usually kept in card form, is thus additional to the usual routine diary system of the Branch, and is sometimes known as the General Branch Diary. In this diary the accountant should keep a note of all items which require his check or need periodical surveillance.

For such items as weekly returns to the Head Office also, the independent reminder is useful to see that they go forward regularly.

Little matters which occur to him from time to time, but which cannot be settled at the moment, may be jotted on a card and inserted in the diary to be dealt with later; the accountant leads too busy a life to rely on his memory alone. With intelligent handling, a card diary of this sort saves him a good deal of work and anxiety.

ACCOUNTANT'S MEMORANDUM BOOK

But, if the accountant is to keep his Manager informed on all important matters with which he has dealt during the day, he must also keep some sort of memorandum book. At the termination of an interview at the counter he can jot down in this book the salient points of the conversation, while fresh in his mind. If he attempts to leave it until the end of the day, he will inevitably find that much of it has escaped his memory.

BALANCE WORK

The half-year period is the testing time for the accountant. If he is a good organizer and looks ahead he has nothing to fear, but if he allows the half-year balance to creep upon him

unprepared he is in for an unpleasantly busy time. There is really very little excuse for not preparing a good working scheme for this period, for the work to be done is well known and unvarying.

The preliminary work consists of—

(a) Ruling off and casting Current Account decimals, that is, reds (overdrafts) and blacks (credit balances). Calculating and checking interest allowed, or charged, to each account.

(b) "Charging" unremunerative accounts.

(c) Calculating, checking, and agreeing Interest on Deposit and Home Safe Balances.

(d) Calculating, checking, and agreeing interest charged on Loan Accounts.

(e) Ruling the balance lines in handwritten Pass Books.

All this work must be completed before the balance night itself, but it must not interfere with the ordinary daily routine. If no clerks can be spared during the day it means that a certain amount of late work is inevitable, though good organization should keep this down to a minimum.

This preliminary work involves a gradual crescendo of effort until the climax is reached on the balance night itself. The pre-war brand of Bank clerk tells his machine-bred successors, with something of pride in his voice, of balance nights that finished with the morning milk, of last trains missed, and, perhaps, of jolly supper parties when the "old man" stood treat.

Now machines have relieved us of a good deal of the drudgery of balance nights; nevertheless, there is still a good deal of work to be got through in the space of a few hours, for the balance work proper cannot be commenced until the ordinary work of the day is out of the way.

In order this means—

(a) Posting charges, deposit interest, loan and overdraft interest to Current Accounts, if not entered the previous evening.

(b) Extending balances, taking out and agreeing balances of Current Account Ledgers.

(c) Balancing Pass Books or Statement Sheets, if hand-written.

(d) Passing all special half-year entries through the General Cash Book including balances on Branch Profit and Loss Accounts to Head Office.

(e) Grand Trial of Branch balances as shown in the Impersonal Ledger.

(f) Return of Branch figures to Head Office.

To get all this work done smoothly, efficiently and in the shortest time, some care and thought must be given beforehand to the work schedule and to the detailing of clerks for each job. No doubt every experienced accountant develops his own system, and one or two excellent suggestions have been put into print.

The work may be planned, for example, by means of a daily work schedule, which must be initialed by the clerks responsible when their part of the work is done, the balance night itself being controlled by a work chart or time schedule. On the other hand some accountants find that they can control the work with a less elaborate system. On page 236 is shown an example of balance instructions untouched except for the alteration of names, as issued by a competent accountant of a Metropolitan Branch.

STAFF MATTERS

Records. The engagement of clerks and consideration of their remuneration is the concern of the Central Staff Department, where a complete record is kept in separate dossiers for each member of the staff. Every little detail which concerns him during his banking career eventually finds its way into this all-embracing file, and all of this information to do with marriages, illnesses, holidays, etc., in addition to the usual staff reports, is collected from the Branches through the medium of the local Manager or his accountant.

Illness. It is when illness is making gaps in the Branch staff, particularly when a wave of influenza is ravaging the staff, that the organizing ability of the accountant is tested to the full. Very few things in the Branch routine can be left from day to day, however depleted the office. As a last resource the accountant may always appeal to the Central Staff Department for help. Unfortunately an epidemic of this sort is

QUARTER ENDING 30TH JUNE, 1948REDS AND BLACKS (Decimals)

To be ruled off and agreed on Friday, 25th June, ready for posting on the evening of the 29th inst.

All Interest Cards must be initialed by Ledger Keepers and Checkers.

TUESDAY, 29TH JUNE, 1948

The following will be posted on the evening of the above date—

DEPOSIT INTEREST

INTEREST AND CHARGES

LOAN INTEREST

WEDNESDAY, 30TH JUNE, 1948

In charge of the Machine Section—READ.

LEDGERS. The Ledger Keepers will be responsible for their Section.

<i>Ledgers</i>	<i>Take out and agree Ledgers</i>
Q. Johnson.	Brown.
R. Miss Brown.	Jenkins.
S. Atkinson.	Hall.

Overdrafts will be entered in the Overdraft Books by the Clerks who take out and agree the Ledgers.

STATEMENT AND PASS BOOKS. The Pass Book Clerks will be responsible for their Sections.

Q. Miss Jones and Johnson.
R. „ Piddock and Barnes.
S. „ McLcod and Shelswell.

All 1st of July Statements will be prepared and dispatched at the close of business on that date, *and on no account must the dispatch of Statements be delayed without reference to the Manager or Chief Clerk.*

HANDWRITTEN PASS BOOKS

To be balanced and agreed with the Ledgers, and the latter initialed by Harper.

DEPOSIT INTEREST AND HOME SAFE INTEREST

Harris and Moss.

<i>Return</i>	<i>General Ledger</i>	<i>Cash Account</i>	<i>Balance</i>
Marriott.	Turner.	Day.	Adams.

seldom local, and just when the need is greatest the ability of the Central Staff Department to assist is at its lowest.

Illness, of any sort, which keeps a member of the staff away from his work for more than a day or so must be reported immediately to the Staff Department. When, as is usual, this Department stipulates for a medical certificate after a certain number of days of absence, the accountant should see that it is obtained and forwarded. At the expiration of certain periods thereafter, e.g. every fortnight, a further certificate may be required.

Holidays. Arrangements for staff holidays are usually left to the discretion of the local Managers, but in some cases, the list when prepared must be reported to the Staff Department, who have the right of veto, though this, in practice, is seldom used.

The work of preparing the holiday list is generally remitted to the accountant, and is seldom as simple as it at first appears. Not the least difficult problem, as a rule, is to persuade the Manager definitely to fix his holiday first, so that the rest of the list can be filled.

There are several matters which require consideration in the drawing up of the Branch holiday list—

- (a) The length of leave allowed each member of the staff.
- (b) Precedence of choice—if allowed.
- (c) The exigencies of the work.
- (d) Whether extra help is required over the holiday period, and whether this is forthcoming.
- (e) Whether the Branch must arrange its holidays in conjunction with another Branch or sub-Branch.

(a) and (e) are determined by Staff Department. (d) is largely a matter for negotiation. (b) and (c) are the vexed problems.

If the accountant thinks it desirable, he can use dictatorial powers, arrange the times as he thinks fit, and inform the staff accordingly. As a rule, however, it leads to a more contented staff if they are allowed to choose their own holiday periods, as far as possible. In any case the accountant must give careful thought to the system to be adopted, explain it to

the staff, and see that it is implicitly obeyed. Even a poor system is better than none.

Staff Training. Although the responsibility for all staff matters ultimately rests with the Branch Manager, the actual training of the staff is usually left in the hands of the accountant. He should see that every post is filled by a capable and competent clerk with full knowledge of his tasks, but, in addition, give each member a chance to learn the work of the clerk immediately above him in seniority. A periodical interchange of work gives elasticity to the organization, and if it is a recognized part of Branch routine, no offence is likely to be given to anybody. Then, when any place falls vacant, there is always a man ready trained to step into the breach. No man can with justice be deemed inadequate for a post until he has had a chance to cope with it. Sooner or later, the accountant is bound to come across certain men who, for one reason or another, cannot rise above a certain level of responsibility. Every Branch has one or more of these "passengers." and it should be the accountant's concern to make the best possible use of such men in the Branch routine. There are always a number of jobs, important in themselves but not attracting a great measure of responsibility, which such men can tackle.

On the other hand the accountant is favoured occasionally with a particularly eager and competent clerk, and he should use a great discretion with such a gift from the gods, giving the clerk the chance to learn most of the work of the office, but not in such an obtrusive manner as to arouse the jealousy of the rest of the staff, for this would prove prejudicial to the good spirit in the office and will not be pleasant for the clerk himself. As the "odd man" of the Branch, perhaps, the accountant may be able to use to the full the capabilities of such a clerk.

Employers' Returns. Fortunately the Banker is free from many of the irksome restrictions and returns which fall to the lot of many employers. What responsibilities he has are usually discharged by the accountant. Health cards, for example, must be kept stamped up to date.

Staff Discipline. Staff discipline depends almost entirely on

the personality of the accountant, and any slackness on his part means a slack office. Poor discipline and poor organization mean late hours and a discontented staff, and their spirit will be reflected in the quality of the work done.

To preserve discipline it is not necessary that the staff be bullied; indeed, this will probably have the contrary effect. A good accountant can keep on friendly terms with his staff, yet keep a firm grip of the rein and allow no presumption. Just and equitable rules should be made, and then their observance insisted on firmly and consistently. For example, the time for the staff to be at their posts in the morning, the period allowed for lunch, the signing of the attendance book morning and evening are little matters which require his firm insistence. Similarly, prompt attention to all customers should be a positive rule, particularly for cashiers.

Good discipline does not mean fussing over petty delinquencies; it means the maintenance of the highest efficiency of the Branch with the minimum of friction.

CHAPTER XXIII

THE BRANCH MANAGER

No man, surely, receives the intimation of his appointment as Manager of his first Branch without a thrill; he has arrived—at last. The position for which he has been patiently fitting himself throughout his banking career has been granted to him, to make or mar.

His larger opportunities, of course, bring heavier responsibilities. No longer has he a chief at his elbow to whom he can refer knotty problems for decision; he himself must now be ready to answer all queries, give decisions, and be ready for any emergency. Of course, in all matters of great importance he may always appeal to his General Manager for help and guidance.

In a large Branch the Manager's time is almost entirely taken up in interviewing customers, settling queries, and signing correspondence. He has little to do with the ordinary Branch routine, which, as we have seen in the preceding chapter, is the chief responsibility of the accountant. Nevertheless, the Branch Manager cannot afford to be ignorant of the way his Branch is run, for his is the ultimate responsibility and he is the Court of Appeal for all staff grievances. If he is wise, therefore, he keeps an eye, as unobtrusively as possible, on his staff and the routine work generally.

In matters relating to discipline he should, as a matter of principle, always stand behind the decisions of his accountant, for only so may discipline in the office be maintained. Only when injustice is patent dare he overrule his accountant, and if he feels he cannot trust the decisions of his immediate subordinate, it is far better to take steps to get him replaced than to undermine his authority with the staff.

In a small Branch the Manager may have to combine his managerial duties proper with those of accountant and security clerk, and he is then inevitably involved in a good deal of the purely routine work.

HIS DUTIES

The work which is the exclusive province of the Branch Manager includes—

(a) Interviewing customers.

It may be merely to sympathize with them in their business and family troubles and to pat baby's cheek. On the other hand the business may be more serious; new advances to be considered; "applicants of easy conscience for plausible advances" to be firmly refused; or a little fatherly advice to be given to the incipient "Refer to Drawer" case.

(b) Getting new business.

His is the responsibility of extending the sphere of influence of the Branch, of establishing new contacts. This may entail taking some part in the social life of the district, attending local functions, acting as treasurer for sundry committees, etc., and from some points of view his work is never done.

(c) Supervising accounts.

He must keep a wary eye on all troublesome accounts, of which every Branch, alas, has some examples. He must note every change in the circumstances of his customers, and the conduct of their accounts. Calling in "unhealthy" advances, or, if this proves an impossibility, selling the security, may not be a pleasant duty, but it is bound to fall to the lot of the Branch Manager in course of time. He will also have to "nurse" those accounts which merit such treatment, close those which are unremunerative and troublesome, and generally keep a vigilant eye for his natural enemy, the "bad or doubtful."

(d) Correspondence.

All inward correspondence passes through his hands and all outward correspondence, except unimportant memoranda, must first come before the Manager for his approval and signature.

A great deal could be said on this subject of managerial duties and responsibilities, but it will be out of place here, for it has been treated at length by far more competent authorities.

George Rae, himself a practical Banker, has given us the benefit of his wide experience in *The Country Banker*.

OPENING NEW ACCOUNTS

There is one managerial duty, however, which has been a subject of such earnest discussion both in and out of the law courts in recent years that it demands some mention. That is the procedure and necessary formalities to be observed when accepting new accounts.

Some reference has been made in Chapter XII to the dangers of any slackness in this respect. It is not suggested that there are any hard and fast rules on the subject, but there is certainly a fairly well-defined procedure, dictated in the main by prudence the result of experience, from which it would be unwise to depart, except for a very good reason.

Let us then review briefly the procedure for each kind of customer, and set it down as far as possible in tabular form for easy reference.

JOINT STOCK COMPANIES

These are considered first, since they are of prime importance to Bankers.

Where the account is received from another Branch or Bank, a good deal of the groundwork is already covered, and most of the necessary information should be received with the balance of the account. But where the company is newly formed, the Manager will have to take care that the company is regularly formed and that he has all necessary information at his disposal.

He requires—

1. If the Branch is not specially designated in the Articles of Association as the Bankers of the company, *a copy of the directors' resolution appointing the Branch as Bankers to the company*, authorizing the opening of the account, and duly certified by the chairman and secretary.

2. A copy of the resolution of the directors giving precise *instructions concerning operations on the account*, together with specimen signatures of those authorized to sign and endorse cheques or other documents on the company's behalf.

3. *A copy of the Memorandum of Association and Articles of Association.* These as a rule are bound in one copy. A note should be made in the books of the date on which, and from whom, these are received. The secretary of the company should be asked to certify that the copy is a complete and up to date one.

The Memorandum and Articles should be carefully read through for any special provisions which may be made for the signing of cheques on the account, the extent of the borrowing powers, if any, and the powers of the directors generally.

4. *A copy of the last prospectus.*

5. *The Certificate of Incorporation*, so that it may be inspected and details recorded in the books.

6. Similarly the *Certificate of Authority to Commence Business* will have to be seen.

In the case of private companies, Nos. 4 and 6 do not apply.

Most of the mandatory requirements of the Bank are provided for in a specially printed Company's Form. For the sake of uniformity and clarity, this form should be insisted on whenever possible.

Unfortunately, from the Bankers' point of view, companies often insist on using a cheque form with a receipt attached. The manager in that case must obtain a proper indemnity from the company in respect of the use of such documents to protect the Bank in case the orders are outside the protective sections of the Bills of Exchange Act, 1882. In addition he should make sure that the Company has the power to give such an indemnity.

There are two requirements under the Companies Act, 1948, which should be borne in mind.

1. Every Company must now have at least one director (or two in the case of a public company incorporated after 1st November 1929) and a secretary.

2. A sole director may not also be the secretary.

So also Companies are now brought within the ambit of the *Registration of Business Names Act*, 1916, and where a company opening an account is carrying on business under a name

which does not consist of the corporate name without any addition a copy of the registration certificate issued under the Act should be seen and details recorded.

It should be observed whether the first directors of the Company are named in the Articles; if not they should be appointed by the signatories of the Memorandum or by a majority of them.

A note should also be made whether the Company, being a private Company and a family concern, is an "Exempt Private Company" under the new Companies Act.

INDIVIDUALS

1. *A satisfactory introduction.* This may consist of a personal introduction by a customer of the Branch, or a reference from a trustworthy source.

When references are given, they should always be taken up and the accounts should not be opened unless the replies are entirely satisfactory. It is impossible to lay down hard and fast rules to be followed, but the possibility should always be borne in mind of false replies being provided. Where there is any doubt, steps should be taken to test the genuineness of the references. An inquiry addressed to a referee's Bankers as to his trustworthiness, and enclosing a specimen of his signature for confirmation often solves the difficulty of linking up an unknown name. If the Banker himself writes for the introduction, he should always append a signature of the proposed customer for identification purposes. This signature may be obtained at the first interview.

If an account has come from another Bank, it is advisable to know the cause of its removal.

2. The applicant should write in the *Signature Book* his usual signature, full name, address, and occupation. The name of the introducer may be added later.

3. Inquiry must be made as to *whether the applicant is an employee.*

If this is the case the principal should be advised, and his consent obtained. Should the proposed customer object to this course, the Manager should use his discretion whether it is wise to accept the account; in any case, if the account is

opened, this information should be prominently displayed at the heading of the account.

4. As much *information* as possible about the circumstances, financial and personal, and character of the proposed customer should be obtained at the first interview. It should be remembered that this may be the only opportunity the Manager may have of getting into personal touch with the person and he should be encouraged to speak freely. Much may be done with tact at this first interview, when the applicant is only too willing to please, to collect useful information for the future conduct of the account, and also to lay the foundation of trust and regard which should smooth the path of future transactions.

All information so obtained may be entered in a *Private Information Book*.

Note that no cheques should be taken for collection, until a person is definitely accepted as a customer, that is after the usual preliminaries have been completed, or the Banker may lose his statutory protection as a collecting banker (Section 82, Bills of Exchange Act, 1882). We have seen that the Manager does not get out of his responsibility by crediting the cheques, pending collection of the proceeds, to an impersonal account.

MARRIED WOMEN

The usual procedure in opening an account for an individual as outlined above is followed, but in addition the Manager will want to know—

1. Whether her property is subject to a "*protective trust*" by which she is prohibited from touching the principal and prevented from mortgaging or giving a charge of any kind upon future income.

It is to be noted that the Law Reform (Married Women and Tortfeasor) Act, 1935, now declares as void any such "restraint," with the exception of those imposed in any instrument *executed before 1st January, 1936*. The Act provides also that an instrument executed after that date, in pursuance of an obligation imposed before then, to attach such a restriction, shall be deemed to have been executed before

1st January, 1936. It also declares, in this connection, that the will of any testator who dies after the 31st December, 1945, shall (notwithstanding the actual date of the execution thereof) be deemed to have been executed after the 1st January, 1936.

Although the 1935 Act shows an intention to abolish all restraints upon anticipation, it will be obvious that, for some time, many will remain operative and, particularly if the married woman is asking for an advance, the Manager would be unwise to neglect this inquiry.

2. If in business, *whether she is an employee* or is trading on her own account, or jointly with her husband.

If she is an employee, the precautions mentioned above for an individual must be taken.

3. *Whether her husband is an employee.*

This is a wise precaution in view of the attitude adopted by the Court in the case of *E. B. Savory & Co. v. Lloyds Bank*, 1932. The name and address of the employer should be prominently displayed in the heading of the account.

INFANTS

Accounts may be opened for minors, provided the usual precautions are taken, but only on the understanding that the account shall always be conducted to credit.

JOINT ACCOUNTS

In the case of joint accounts which are neither partnership accounts nor trust accounts, the usual procedure and preliminary inquiries are made as for individuals, but in addition a mandate is required signed by both parties, even if they be husband and wife, giving full instructions for the operations of the account during their lifetime. At the same time instructions should be obtained as to whom the balance is to be paid in the event of the death of either party.

PARTNERSHIPS

1. Partnerships are usually governed by a *Partnership Deed*. This should be inspected and an abstract made of it. This abstract may be supplemented by any particulars regarding the standing of the individual partners, the scope and state of

the partnership business, and any relative information gleaned at the first and subsequent interviews.

2. *Each partner should sign his own name and that of the firm in the Signature Book.*

3. A *mandate* will be required, signed by all partners, giving precise instructions *for the conduct of the account.*

Where the partnership is trading under any name other than the true surnames of all partners with no addition other than the true Christian names of all partners, it must be registered under the *Registration of Business Names Act, 1916*. A certificate is issued to every firm so registering. Although the production of this certificate is not always insisted on, an inspection of it by the Manager will serve to confirm the particulars given to him, or it may reveal others of which he has not been informed.

LIMITED PARTNERSHIPS

The procedure is similar to that when accepting an ordinary partnership account, but the banker must be sure he is dealing with a general partner. Limited partners have no power to join in the management of the firm, and consequently are not competent to open an account in the partnership name.

TRUST ACCOUNTS

Where an account is opened definitely as a trust account—

1. The trust deed should be examined, and a copy or epitome of the provisions made for future reference.

2. The signatures and full particulars of all trustees are required, for unless the trust deed expressly provides for the delegation of the trustees' duties to any one or more of them, all must sign on the account.

3. The account should be opened in such a manner as to indicate the nature of the trust if possible, e.g., A, B & C, Trustees of X.

LOCAL AUTHORITIES

It is extremely unlikely that an established Local Authority has no banking account, and the only way that the principal accounts of such bodies will be opened at a Branch is by way of transfer from another Branch or Bank, except on

the very rare occurrence of the formation of a new public authority.

It must be borne in mind when dealing with such accounts, whether of a County Council, Borough Council, Urban District Council, Rural District Council or Parish Council, that they are all strictly controlled by statute. The Local Government Act, 1933, consolidates much of the statute law relating to local authorities, except the Administrative County of London, and reference must be made to its provisions where there is any doubt as to the method of procedure when dealing with the authorities coming within its ambit.

Authority for Opening an Account. A local authority may appoint a Bank or the Manager of the local Branch to act as its treasurer. The former has the advantage of continuity while the latter if appointed must give security for the faithful execution of his duties. In either case a sealed resolution should be obtained from the local authority concerned requesting the account or accounts to be opened and giving specific mandates for their operation.

Authority for Payments. The 1933 Act lays down certain requirements in this respect which may be summarized as follows—

Authority to Treasurer, whether a Bank or its Manager, to make payments must be signed—

(a) For a *County Council*—by three members of the Finance Committee, who were present at the meeting at which the payments were approved, countersigned by the Clerk of the Council (see Section 184 (2)).

(b) For a *Borough Council*—by three members of the Council and countersigned by the Town Clerk—except certain payments such as salaries and wages to employees (see Section 187 (2)).

(c) For a *Rural or Urban District Council*—by the Chairman and two members of the Council, and countersigned by the Clerk of the Council.

(d) For a *Parish Council*—by two members of the Council (see Section 193 (8)). These orders or cheques by a Parish Council need not be addressed to the Treasurer.

Cheques Signed By. These authorities may be by cheque or other order on the account or may be in the form of a list of

authorized payments. In the latter case the actual cheques on the account need be signed only—

(a) For *County Councils*—by the County Treasurer, or his deputy, countersigned by the Clerk of the Council, or his deputy.

(b) For *Borough Councils*—by the Borough Treasurer, or his deputy.

(c) For *Rural or Urban District Councils*—by the authorized officials.

(d) For *Parish Councils*—by two members of the Council.

Where payment is made against authorized lists of cheques drawn, these lists must be very carefully marked off as the cheques are presented for payment.

If a Treasurer is appointed other than a Bank or its local Manager then he must furnish the Bank with the authority to debit the account in his name with cheques drawn on the account.

Procedure. Obtain a resolution duly sealed by the Authority requesting the Bank to open the account, including the appointment of the Bank or Local Manager as Treasurer—if this is desired. Where the Manager is so appointed he should also, where possible, get a provision inserted specifically indemnifying him against liability for the payment of forged orders.

2. Obtain a copy of the resolution giving instructions as to the manner of signing cheques or orders for payment, the names of the officials and a specimen of each of their signatures.

3. Diarize a reminder to obtain new authorities and signatures on any change in the elected representatives.

Accounts to be Opened and How Designated. The accounts when opened should be designated in the Bank's books in full and should be in the name of the Treasurer, e.g.,

“Southern Bank Ltd., Treasurer of the Urban District Council of Lullingford.”,

or

“John Jackson, Esq., Treasurer of the Mayor, Aldermen, and Burgesses of the Borough of.”.

All accounts opened on behalf of local authorities such as Rates Account, Water Supply Account, General Purposes Account, etc., must be kept strictly separate.

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