A copy of the correspondence between the Chancellor of the exchequer and the Bank of England, relative to the renewal of the charter

Goulburn Henry
Title: A copy of the correspondence between the Chancellor of the exchequer and the Bank of England, relative to the renewal of the charter

Author: Goulburn Henry

This is an exact replica of a book. The book reprint was manually improved by a team of professionals, as opposed to automatic/OCR processes used by some companies. However, the book may still have imperfections such as missing pages, poor pictures, errant marks, etc. that were a part of the original text. We appreciate your understanding of the imperfections which can not be improved, and hope you will enjoy reading this book.
A COPY
OF THE
CORRESPONDENCE
BETWEEN THE
CHANCELLOR OF THE EXCHEQUER
AND THE
BANK OF ENGLAND,
RELATIVE TO THE
RENEWAL OF THE CHARTER.

By Henry Goulburn

1833.

409844
15. 2. 43
A COPY OF CORRESPONDENCE, &c.

Downing-street, April 1, 1833.

Gentlemen,

The proposition which I am directed to make to you on the part of His Majesty's Government, is

First. That the Charter of the Bank of England shall be renewed for ten years, from the 1st of August, 1834.

Second. That no Bank shall be established within the metropolis, or within twenty-five miles from London, consisting of more than six partners; but that Banks established at a greater distance, whatever may be the number of their partners, may issue notes payable in London and shall also be relieved from all the restrictions at present imposed upon them as to drawing bills upon London.

Third. That Bank of England notes shall be a legal tender, except at the Bank, or at any of its Branches.

Fourth. That bills, not having more than three months to run before they become due, shall be exempted from the usury laws.
Fifth. That the accounts of the Bank shall be published: that is to say, an account shall be published weekly, in the Gazette, of the amount of bullion which was in the possession of the Bank three months previous to the day of publication; an account of the amount of securities in their hands at the same time; an account of the amount of the deposits in their hands, and of the amount of their issues at the same time. Thus shewing the weekly progress of the account, but at a date three months antecedent to the day of publication.

Sixth. That the Directors of the Bank of England, who retire from the Direction in rotation, shall be immediately re-eligible.

Seventh. That all Banks in which there are more than six partners shall be considered Joint Stock Banks.

Eighth. That no such Joint Stock Bank shall be established within the metropolis, or within twenty-five miles from London, nor shall any such Joint Stock Bank be established or permitted in any part of England and Wales, except by a Charter from the Crown, which it shall be in the power of the Crown to refuse if it shall so think fit.

Ninth. That in the case of such Joint Stock Bank intending to issue its own notes, the following conditions shall be inserted in the Charter:
1st. That the partners shall be subject to unlimited liability.

2nd. That one half of the subscribed capital shall be paid up and deposited in government or other available securities.

3rd. That the Firm or Corporation of the Bank, as such, shall not hold any of the shares.

4th. That the accounts of such Joint Stock Bank shall be periodically published.

Tenth. That in the case of a Joint Stock Bank not having the privilege of issuing its own notes, the Charter shall only necessarily contain these two conditions:

1st. That the shares shall not be less than one hundred pounds each.

2nd. That the Firm or Corporation of the Bank shall not, as such, hold any of the shares. But in this case unlimited liability, and the publication of the accounts, need not be required.

Eleventh. That in the case of private Banks of Issue, consisting of not more than six partners, a periodical statement of their available assets and liabilities shall be transmitted as a confidential paper to the Chancellor of the Exchequer. That these individual statements shall be kept secret, but that the whole shall be consolidated into one account, and shall be open for inspection, or be published as may be most desirable.

Twelfth. All Banks shall compound for the
stamp duty on their notes on the same terms as the Bank of England.

In other respects it is not proposed to interfere in the management of such private Banks.

It will be obvious to you that these proposals will be very advantageous to the Bank of England; this is not, I need hardly say, the reason for making them, but while I consider them calculated to improve the system by which the paper circulation of the Country is conducted, they do confer substantial advantages on the Bank of England. The discouragement given to Joint Stock Banks of Issue, as compared with Joint Stock Banks not of Issue, and the making Bank of England notes a legal tender, must increase the circulation of the Bank of England very considerably, while the relieving bills drawn for short dates, from the Usury Laws, will facilitate the operations of the Bank in times of difficulty to a very great degree.

The Government therefore think that they have a right to demand for the public a liberal compensation. They propose to pay off a part of the debt now due from the public to the Bank, and to reduce it from £14,500,000. to £7,000,000. This will reduce the annual payment from the Government to the Bank from £435,000. to £210,000. and will still leave a dividend to the Bank Proprietors of £939,000. or more than thirteen per cent. on the remain-
ing Capital of £7,000,000. which is obviously too much. The principle, however, on which this question must be considered, is not the amount per cent. which the Proprietors divide on their funded capital, but the amount per cent. which they divide upon their actual capital. This is stated to be £19,000,000., and the dividend of £1,164,000. is about six per cent. upon this. If the Government pay off £7,500,000., the actual capital will be reduced to £11,500,000. instead of £19,000,000., and six per cent. upon this will amount to £690,000. The proposal therefore of the Government, is to leave to the Proprietors a dividend of six per cent. as at present, upon the actual capital, which will remain to them when the £7,500,000. shall have been repaid, and consequently to reduce the dividend from £939,000.—which it would be if the Bank continued to do the Government business upon the same terms as at present—to £690,000., or to 6 per cent. on their real, and ten per cent. on their funded capital. The mode of effecting this will be, no longer to pay to the Bank the £248,000. now paid to them for the management of the Public Debt.

The result of this will be, the Government will pay the Bank £7,500,000., and the Bank will engage to continue the management of the Public Debt without receiving from the State any annual payment for the performance of this duty.
It is further proposed, that after the Proprietors of Bank Stock shall have received a dividend of ten per cent. upon their nominal Capital, which will then amount to £7,000,000, at the end of each year, whatever accumulation shall have taken place in their rest during the preceding year shall be divided into two equal portions, one of which shall be added to the Capital of the Bank and be at the disposal of the Proprietors, and the other half shall be deducted from the payments made to the Bank for interest or other charges which they may have against the Public.

Having thus had the honor of submitting to you the conditions on the part of His Majesty's Government, on which they propose a renewal of the Charter of the Bank of England, I have to request that you will lay them before the Court of Directors at an early period, in order to bring this important question to a final settlement.

I have the honor to be,

Gentlemen,

Your most obedient
humble Servant,

(Signed) ALTHORP.

The Governor and Deputy
Governor of the Bank of
England, &c. &c. &c.
Bank of England, 12th April, 1833.

MY LORD,

We have laid before the Court of Directors, your Lordship's letter of the 1st inst., containing the terms upon which His Majesty's Government are disposed to recommend to Parliament a partial renewal of the exclusive privileges of the Bank, from the 1st August, 1834; and we are directed to submit for the consideration of His Majesty's Ministers, through your Lordship, the accompanying minute of the Court of Directors of the 11th instant.

We have the honor to be,

My Lord,
Your Lordship's
Most obedient humble Servants,

(Signed) J. HORSLEY PALMER, Gov.
R. M. RAIKES, Dep. Gov.

To the Right Honorable Lord Viscount Althorp, &c.

Bank of England, 11th April, 1833.

THE Court of Directors, in giving their best consideration to the letter of the Chancellor of the Exchequer, of the 1st instant, will first recapitulate the general propositions,
which directly or indirectly have an effect upon the Bank of England, and which the Court understand to form the basis upon which the pecuniary concession required from the Bank is founded, they are as follow:

I. That the Charter be renewed for ten years from 1st August, 1834.

II. That no Bank be established within twenty-five miles of London, exceeding the number of six partners, but that Banks established at a greater distance, whatever may be the number of their partners, may issue notes and bills payable in London.


IV. That bills and promissory notes, not having more than three months to run before due, be exempted from the Usury laws.

V. That the Bank Accounts (similar to the Consecutive Account from 1778) be published weekly in the Gazette, in the state in which they were three months previous to the day of publication.

VI. That Directors going out annually by rotation, be immediately re-eligible.

VII. That all Banks in which there are more than six partners, shall be Joint Stock Banks.