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# Cobb & Son, Bankers of Margate

# c.1785 to c.1840

by

K.J. Lampard

A thesis submitted for the degree of Ph.D. in the University of Kent at Canterbury.

March 1986.

## ABSTRACT

The aim of this thesis is to give an account of the development of the Margate Bank of Cobb & Son in the years up to 1840, setting it within the context of the Cobb family's other business interests, and national and local economic developments. Wherever possible, the practices and experiences of the Margate Bank have been compared with those of other banks.

Chapter 1 commences with general introductory material, describing, in general terms, the economic development of Margate and the Isle of Thanet during the period, and setting out basic biographical details of the Cobb family. It continues by showing how the bank emerged from the Cobbs other activities, and attempts to analyse the position of the Margate Bank in relation to the Margate Brewery and Cobb & Son's shipping agency.

Chapter 2 outlines changes in the level of the note issue, interest bearing deposits and deposits without interest, and seeks to analyse the reasons for the decline of the note issue and deposits with interest in the years following the Napoleonic Wars, and the growth of deposits without interest. The second part of this chapter gives an occupational breakdown of the Margate Bank's depositors, supplemented by material relating to banks at Ramsgate and Deal. The third part of the chapter examines the impact of economic fluctuations on the Margate Bank and seeks to explain its changes in fortune.

The following three chapters deal with Cobbs and the London money market Chapter 3 begins with a digression and looks at the growth of Cobbs' London agent, Sir James Esdaile & Co., and looks at the reasons for its collapse in 1837, and rescue by the Bank of England and leading London

bankers. The rest of the chapter analyses the role of the London agent as a channel of remittance, a reserve, a source of advice and control, and as an outlet for investments. Chapters 4 and 5 look at Cobb & Son's links with the London discount market and the stock exchange respectively, and seek to explain why bills of exchange were such a popular investment among bankers, and why some bankers saw Government securities as speculative and only suitable for short-term investments.

Chapters 6 to 9 explore Cobb & Son's advances and discounts in the country. Chapter 6 is a general introduction, looking at the different securities for advances, the length of loans, and the occupations of borrowers. It continues by looking at some important examples of local borrowers before three principal groups of borrowers, agriculturalists, millers and agricultural middlemen, and those in the transport sector, are examined in more detail in the following three chapters.

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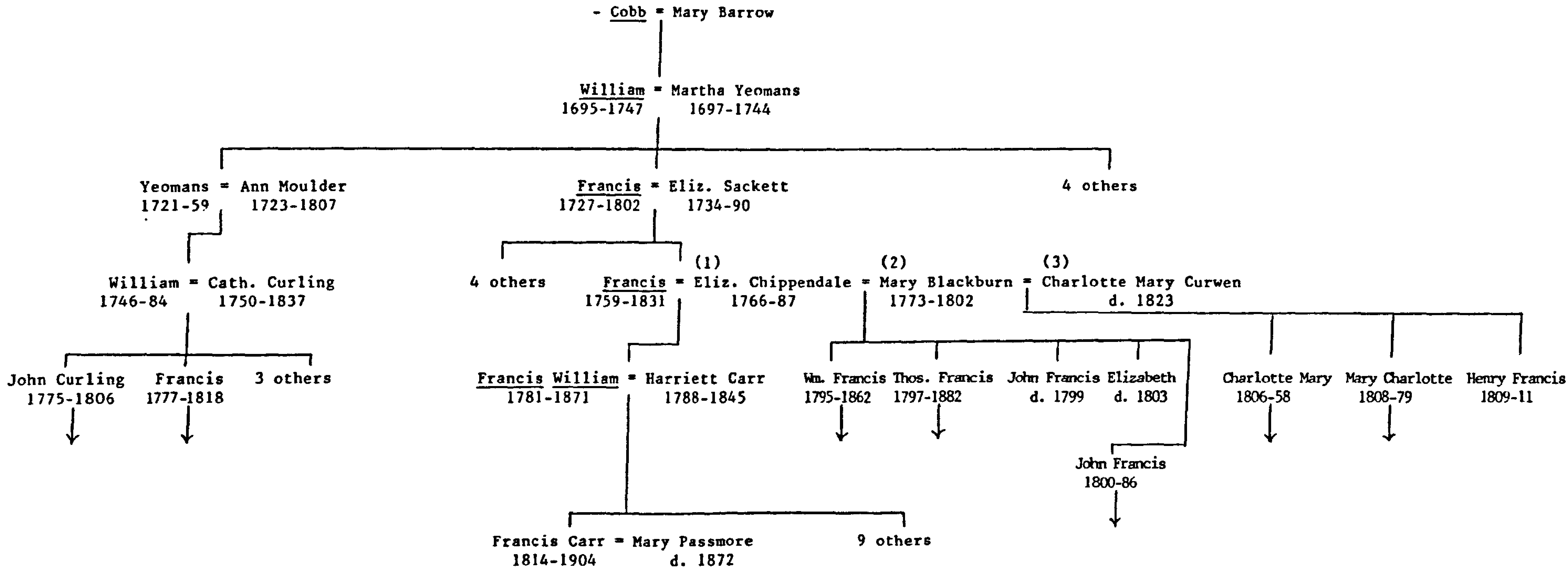
## ABBREVIATIONS

| | |
|---|---|
| BPP | British Parliamentary Papers |
| HLRO | House of Lords Record Office |
| KAO | Kent Archives Office |
| LBA | Lloyds Bank Archives |
| PRO | Public Record Office |

Cobb of Margate




Source: KAO, U1453/Z148.

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During the course of my research I became aware that many records of the Cobb family had found their way into private hands via the sale room. I am particularly grateful to one collector, Mr. A.V. Parker of Bolton in Lancashire, who was kind enough to lend me about four hundred documents from his own collection of Cobb papers.

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# CHAPTER 1

## Margate, The Isle of Thanet and The Cobb Family

The Isle of Thanet may not have participated in the 'first industrial revolution' of the latter part of the eighteenth century onwards in the conventionally accepted sense, since it had no manufacturing industries of any great consequence. It would be an error, however, to assume that it was a stagnant back-water, for it certainly witnessed considerable changes in its economy and appearance, particularly in the towns. In agriculture, Thanet had already built up a reputation in the first half of the eighteenth century of being among the most productive and advanced areas in the country. This was particularly so with respect to the cultivation of barley and its trade in corn with London.

The coastal towns of Thanet, Margate, Ramsgate and Broadstairs, underwent a more rapid transformation, in their physical appearance, size and economic development, as a consequence of the rise of the holiday industry. Margate was the first of the Thanet towns to experience these developments with Ramsgate and Broadstairs following within a few decades. The popularity of sea bathing rose from the 1750s, following the publicity given to the supposed medical advantages of drinking and bathing in sea water. It was the provision and improvement of transport facilities, however, that was of strategic importance in the development of the Thanet resorts. Land transport and the development of turnpikes had a part to play, particularly before 1815, in providing a means of relatively rapid communication for information, high value goods and upper class visitors, but it was the development of cheap water transport, first by the adaptation of corn hoys into sailing packets for the carriage of passengers, and secondly, and most notably, by the development of steam-boats after 1815, which formed the basis of the expansion

of the holiday trade and gave Margate in particular, a more 'popular' image compared with other resorts. It was against this background of expansion that the Cobbs developed their various business activities, of which the most important were brewing, banking, a shipping agency, a wine and spirit business, and the possession of real estate. Indeed, it has been claimed that the rise of Margate was "exactly contemporaneous with that of Cobb's brewery", and that the Cobb family "has so identified itself with the history of Margate, that the one cannot be separated from the other".[1] The Cobb family were to remain as prominent businessmen in the town for a very long period. The Margate Bank of Cobb & Co. was to continue until 1891 when it was absorbed by Lloyds, and the brewery until 1968 when it was taken over by Whitbread.

Of agriculture in the Isle of Thanet, John Boys wrote in 1794 that

> "Thanet always was, and most likely always will be famous for its fertility... In short, is there not perhaps another district in Great Britain, or in the world, of the same extent, in such a perfect state of cultivation; where the farmers are so wealthy and intelligent; where land... is let for so much money and produces such abundant crops?"[2]

Thanet farmers were given similar praise in the early part of the eighteenth century by such writers as Harris in 1719 and Lewis in 1723.[3] This tradition of praise has been re-affirmed by the most recent historian of farming in North East Kent who has claimed that the techniques developed in the first half of the eighteenth century, the development of new rotations with new crops especially the use of beans and undersown leys,

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1. The Licensed Victuallers' Gazette, 4 December 1875, p. 398.

2. J. Boys, 'General View of the Agriculture of Kent', in Board of Agriculture, The Agricultural Reports, vol. III, p. 14.

3. J. Harris, The History of Kent in Five Parts, (1719), p. 314; J. Lewis, The History and Antiquities, Ecclesiastic and Civil of the Isle of Tenet, (1723), pp. 15, 50.

the extensive cultivation of sainfoin and the stocking of the land with sheep to improve the productivity of Thanet's arable farms, was "perhaps the most spectacular example of successful improved farming in early Georgian England".[1]

The prosperity of Thanet's agriculture rested on three factors; the natural advantage of a favourable soil and climate, access to the London market through cheap water transport, and the adoption of improvements in agricultural techniques. The soil of Thanet, a very light, well drained, chalky soil, was easy to work in most weather conditions except frost, and involved only modest working expenses.[2] While on heavier soils farmers had to use ridge and furrow techniques to help drain the land, on Thanet the fields were "as level as a bowling green".[3] Fertility was found to vary according to the depth of the top soil. Where the solid chalk was found near the surface the productivity of the soil was "a good deal mixed", but as a Thanet farmer noted in 1833, "when there is a fine mould below, it is very good; a very rich and productive soil".[4] Thanet's soil provided ideal conditions for the production of arable crops, a specialization that was further encouraged by the character of its climate. A low average annual rainfall, for instance, meant that Thanet farmers still had a good harvest when the season had been too wet in most of the rest of Britain, while its relatively warm climate gave it

1. D.A. Baker, Agricultural Prices, Production and Marketing, with special reference to the hop industry, 1680-1760, in North-East Kent, (Kent Ph.D., 1976), pp. 713-714.

2. BPP, Minutes of Evidence, Select Committee on Agriculture, 1833, vol. V, QQ. 5494-6,5536.

3. The Margate Guide, (1770), quoted in, J. Whyman, Aspects of Holiday-making and Resort Development Within the Isle of Thanet, with Particular Reference to Margate, c. 1736 to c. 1840, (Kent Ph.D., 1976), p. 405.

4. BPP, loc.cit., Q. 5502. See also Q. 5501.

the advantage of a long growing season.[1] The island was less well-favoured when it came to other branches of agriculture. Its exposure to the cold north easterly winds made it unsuitable for market gardening and attempts at planting orchards and hops were few and unsuccessful.[2]

The availability of cheap water transport by sailing boats known as 'hoys' along the Thames, was a critical factor in enabling Thanet farmers to take advantage of the expanding London market.[3] Most of the London-bound corn of the island was taken to Margate to be put on board the hoys. Of the Thanet ports, Margate was the most favoured in this respect since vessels could avoid the dangerous passage around the North Foreland. In the 1720s, Defoe remarked upon the "vast quantity"[4] of corn shipped from Margate to London, while Harris estimated that 20,000 quarters of "all sorts of grain" were sent to London as well as grain sent to other places.[5] This trade in corn remained one of the chief supports of Thanet's economy throughout the period reviewed in this study. Brief mention has already been made of Thanet's reputation for its advanced methods of farming, the most distinctive feature being the use of beans. Of this aspect Arthur Young said:

> "In general the great feature of their husbandry, the most worthy the attention of a stranger, and in itself the most meritorious thing in the country is the cultivation and preparation of beans as a preparation for wheat."[6]

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1. S.G. McRae & C.P. Burnham, The Rural Landscape of Kent, (Maidstone, 1973) pp. 1-6; J. Lewis, The History and Antiquities Ecclesiastic and Civil of the Isle of Tenet, (1723), p. 15. This point is also made in the old Thanet proverb 'when England wrings then Thanet sings'.

2. Whyman, op.cit., p. 409.

3. See pp. 355-67 below.

4. D. Defoe, A Tour Through England and Wales, (Everyman ed., 1927), vol. I, p. 119.

5. Harris, op.cit., p. 314.

6. Quoted in Baker, op.cit., pp. 194-195.

A less enthusiastic commentator was William Marshall, writing in 1798. Although he still counted Thanet as being among the best cultivated districts in England, he added that it had "no claim to that exclusive superiority, which celebrity has given it; and which it may, heretofore, have deserved."[1] His criticisms included the existence of a surprisingly high proportion of fallow, the continued predominance of sowing seeds by hand, the poor state of cattle and pigs on the island, and the persistence of open fields.[2] When speaking of open fields, he was referring to the fact that there were very few hedges on Thanet, rather than the 'open field system', for there was no subdivision of fields between multiple owners as occurred under the traditional Midlands style of farming. There is no evidence of the 'open field system', as opposed to open fields, ever having existed in Thanet.

With regard to the extent of the practice of fallowing, even John Boys maintained that the best system of rotation was one of fallow, barley, then clover followed by wheat. This, he said, was the system most commonly practised on the island. The more advanced forms of rotation were not, it seems, used by all of Thanet's farmers all of the time.[3] The remarks of John Cramp, a Thanet farmer, before the Select Committee on Agriculture in 1833, suggest that this may have been connected with a shortage of manure. On the farms near the towns where there was a good supply of sea-weed and town manure it was rare for fields to be fallowed, but on the farms further inland, even though they were larger

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1. W. Marshall, The Rural Economy of the Southern Counties, (1798), p. 37.
2. Ibid., pp. 13-16, 34, 39.
3. Boys, op.cit., p. 16.

and had more sheep producing natural manure, it was more common.[1] With regard to the use of seed drills, Marshall's observations were contrary to those of an earlier, if less well qualified observer, Charles Seymour, who in 1776, claimed that "the drill husbandry is very general here".[2] However, at least one Thanet farmer, John Mockett of St. Peters, continued to sow broadcast in the 1830s in the belief that it produced more per acre, that it could be done more quickly, and that it could be done in "any reasonable sort of weather, which cannot be done by a drill".[3] Finally, it should be noted that Marshall realised that if Thanet were to remain as predominantly arable as it had already become, rather than increase the quantity of its livestock as he suggested, then it would be best for the fields to remain 'open'.[4] Thanet is still, in the twentieth century, a predominantly arable district with large open fields.

In the 1750s, Margate was little more than a dirty fishing village and a port for sending grain up to London, whose inhabitants also indulged in smuggling and foying, that is, giving assistance to passing ships. Its career as a resort town was just beginning, for even at this early date it was said that the town received "numbers of people" in the summer months who visited the town to bathe in the sea, even though they had to "submit to every sort of inconvenience".[5] By 1763, according

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1. BPP, loc.cit., Q. 5487. For further references to the use of sea-weed and other materials for manure on the land near the coast see: The Margate Guide, (1770); A Short Description of the Isle of Thanet, (Margate, 1796), pp. 6-7.

2. C. Seymour, A New Topographical, Historical, and Commercial Survey of the Cities, Towns and Villages of the County of Kent, (Canterbury, 1796), p. xv.

3. J. Mockett, Mockett's Journal, (Canterbury, 1836), pp. 309-310.

4. Marshall, op.cit., p. 39.

5. Viscount Palmerston in 1758. Quoted in Whyman, op.cit., p. 186.

to the town's first guide book, there were bathing rooms that were "not large, but convenient", with eleven bathing machines.[1] The New Inn formed the principal venue for indoor entertainment and the inhabitants had adapted their houses for the reception of visitors.

> "The Lodgings, tho' small, are neat and tolerably commodious, considering they are now applied to the reception of strangers, for which purpose they were never intended."[2]

Some new buildings had already been completed while others had been started. Change was well under way by 1780 when a guide book commented

> "Margate has greatly improved since it has become the Resort of so many Persons of Fashion and Consequence. A large square has, within these ten years been erected which consists of a considerable number of handsome houses, built by Persons of Fortune for their own Use with several others intended for the Reception of the Nobility and Gentry. On the side of it is a noble and Spacious Assembly Room, which is finished with great Taste and Elegance, and supposed to be one of the largest of the kind in England."[3]

Similarly, a guide-book of 1778 claimed that Margate had already become a place of "very considerable magnitude ... adorned with houses fit for the reception of people of the first rank, and with places of amusement and recreation".[4] This expansion was reflected in the window-tax returns. In 1781, this tax was paid on 440 houses in the parish of St. John's, Margate. By 1801 this had increased to 1,004, and in 1815 to 1,275.[5] Population also increased, from 4,766 in 1801 to 10,099 in

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1. A Description of the Isle of Thanet, and particularly the town of Margate, (1763), p. 12.

2. Ibid., p. 12.

3. The Margate Guide, (1780), pp. 13-14.

4. Quoted in, Whyman, op.cit., p. 226.

5. Ibid., p. 231.

1851, at a slightly faster rate of increase than the national average.[1] Margate may not have been among the boom towns of the industrial revolution, but it was certainly expanding, and in terms of the holiday trade was second only to Brighton.[2] This growth in population was shared by the other towns of the Isle of Thanet and, indeed was exceeded by Ramsgate. Broadstairs and St. Peters increased from 1,568 persons in 1801 to 2,975 in 1851, and Ramsgate and St. Lawrence from 4,178 to 14,853.[3] In the summer months each of these towns was swelled by a temporary population of visitors. A guide book of 1831 suggested that the population of Margate could rise to between 20,000 and 30,000 during the season.[4]

Central to the development of Margate as a seaside resort before the advent of the railways was the availability of a cheap and direct means of water transport to London. Whereas most other resorts of the period, including Weymouth, Brighton, Ramsgate and Broadstairs, depended on royal patronage to a great extent for their popularity, Margate's popularity depended primarily on this cheap means of transport. In 1813-14, the sailing packets carried more than 20,000 passengers to and from Margate. By the 1830s, with the steamboats well established for over fifteen years, the figures had increased to between 70,000 and 108,000 per year.[5] Transport facilities and the recommendations of the medical profession were not the only factors behind the rise of Margate.

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1. Whyman, op.cit., p. xiii.

2. J.K. Walton, The English Seaside Resort, A Social History, 1750-1914, (Leicester, 1983), p. 18.

3. Whyman, op.cit., p. xiii.

4. G.W. Bonner, The Picturesque Comparison to Ramsgate, Broadstairs and Margate, (1831), p. 42.

5. Whyman, op.cit., p. 550. See also pp. 378-85 below.

The town had certain natural advantages; a large and level expanse of sand, a picturesque coast line of low white cliffs, and its reputation for having a relatively calm sea resulting from its being what contemporaries described as a 'weather shore' for most of the summer months. This point was stressed by The Gentleman's Magazine which explained that for most of the summer the winds usually came from the south across the land at Margate, rendering the sea, "perfectly smooth". For most of the rest of the south coast the winds would be blowing in from the sea, causing

> "a continual swell and surf of the sea ... which not only makes the water there foul and thick, but annoys, frightens, and spatters the bathers exceedingly."[1]

This was an important consideration for the timid, the infirm, and for the many who had not visited the sea before.

The other main factor behind the rise of Margate was the provision of facilities and amusements to attract the visitor. The pier and harbour were essential to the town's prosperity for it was here that vessels were loaded with corn for London, and most visitors arrived and departed. In the late eighteenth and early nineteenth centuries, the need to repair and extend the pier presented difficult financial problems as can be seen from the harbour and improvement acts of 1787, 1799, 1809 and 1812.[2] A resort town was also under particular pressure to maintain a high standard in its streets and buildings, and strenuous efforts were made by an improvement commission to raise the standards of paving, drainage, street lighting, and the roads within the town limits. The inhabitants of Margate were quick to extend their homes and build afresh to accommodate

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1. Quoted in J. Whyman, 'A Hanoverian-Watering Place: Margate', in A. Everitt, (ed) Perspectives in English Urban History, (1973), p. 148.

2. The pier was also an essential defence for the town from the north-easterly gales. See pp. 393-401 below.

visitors, while the accommodation at inns and, after 1770, specialised boarding houses, was also expanded. More shops were required as the population, both of residents and visitors expanded, especially as most visitors came from the higher income groups and were accustomed to higher levels of consumption. In 1777, the town was given the power to hold a market twice a week for the sale of fish, fruit and vegetables. New and larger market buildings were constructed in 1820, and at least as early as 1831, the market was held daily.[1]

Many facilities appeared right at the beginning of Margate's career as a seaside resort; bathing rooms, bathing machines, hot and cold sea water baths, circulating libraries, assembly rooms and pleasure gardens. The town's first regular playhouse was a converted barn opened in 1761, but by 1787 it had a purpose-built Theatre Royal operating under the authority of a Royal Charter.[2] Other institutions were set up in the town to take advantage of its salubrious reputation, including boarding schools and the Royal Sea Bathing Infirmary.[3] All these growing institutions and businesses plus the agricultural and transport industries were likely to use banking facilities in some way or other. At the very least they would use the circulating medium provided by the bank's notes. Many others, including holidaymakers, would need remittance facilities, while others would use the bank to deposit surplus savings, to discount bills and as a source of loans.

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1. Bonner, op.cit., p. 64.
2. M. Morley, Margate and its Theatres, (1966), pp. 13-24.
3. This institution was opened in 1796 as the 'General Sea Bathing Infirmary' and became 'Royal' after the Napoleonic Wars. According to Dainton it was the country's first hospital for tuberculosis. C. Dainton, The Story of England's Hospitals, (1961), p. 93.

The Cobb family are known to have played an important part in many of these developments. They were treasurers to the improvement commissioners, to the pier and harbour company and the Royal Sea Bathing Infirmary; they led deputations to Parliament to petition for Acts of Parliament for improvements, the pier and for setting up the market and the Theatre Royal. Moreover, they owned a great deal of property in the town; a large number of inns and taverns and other property. This, together with their official position of town deputy, which ran through three generations of the family, led to the coining of the description 'King Cobb'. It is one of the objects of this thesis to illustrate the role which Cobbs' bank played in the development of Margate and the Isle of Thanet.

The first Francis Cobb, the founder of the Margate brewery and bank, and of the family fortune, was born in 1727, the third son of William Cobb, a cordwainer of Margate.[1] These were humble origins, but in later years the family were to adopt the coat of arms of a genteel Kentish family of the same name. Modern genealogists though, have not been able to find any connection between the two.[2] Little is known of the first Francis Cobb's early life except that at the age of thirteen he was apprenticed for seven years to Benjamin Doll of Deal to learn the trade of bread and ginger-bread making. In the 1750s he was trading in Margate as a bread and ginger-bread maker, taking on apprentices in 1751 and 1756.[3] It has often been asserted that Francis Cobb entered the trade of brewing after having been a malster.[4] Cobbs certainly prepared

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1. KAO, U1453/Z148.

2. Ibid., U1453/F15/1. See illustration, p. 138.

3. Ibid., U1453/F15/2-3.

4. Licensed Victuallers' Gazette and Hotel Courier, 4 December 1875, p. 395; G.E. Clarke, Historic Margate, (1957), p. 68; P. Mathias, The Brewing Industry in England, 1700-1830, (1959), p. 225.

much of their own malt in later years, but unfortunately there is no good evidence to support this assertion. The earliest surviving malt book only goes back to 1775.[1] This does not rule out the possibility that Francis Cobb might have been a malster as well as a baker before the founding of the brewery in 1761 as it has been found that malting was commonly undertaken in conjunction with farming, brewing, hop-drying and other unrelated occupations.[2]

As a baker, Francis Cobb would have been familiar with the properties of yeast, and would have some knowledge of the grain market. A knowledge of both was essential for a successful brewer who was to maximise his sales and minimise his costs by brewing good beer with as little waste as possible, and keep a careful watch on the price of his principal ingredient, barley. It was possible for a country brewer at this time to set up with a very modest capital. As little as £200 would be sufficient to buy plant and machinery while the building could be rented. More capital would be required to cover the purchase of malt and hops, but here the brewer was fortunate in that he could buy his raw materials on credit while his finished product was sold for cash.[3] Francis Cobb appears to have started on such a modest scale when he leased a small brew-house in 1761. This consisted of no more than two converted cottages, though there is evidence of this having been used for brewing as

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1. KAO, U1453/B2/3.
2. Baker, op.cit., pp. 330-6.
3. Mathias, op.cit., pp. 252-254.

early as 1719.[1] Perhaps Francis Cobb was already conscious that the trade of the town was growing due to an increasing influx of visitors and saw this as just the right moment to start a new brewery. Certainly, he had sufficient capital to buy the freehold within two years and the business expanded rapidly in the following decades to reach maturity in the first decade of the nineteenth century.

Unfortunately, the evidence for the period before 1808, which in many ways is perhaps the most interesting in the development of all the Cobbs' activities, is very incomplete, and where records do exist they are often very rough and sketchy. This was the period when the Cobb family accumulated a substantial amount of property. By 1783, Francis Cobb had built a fine mansion in King Street, and in the year of the first Francis Cobb's death in 1802, there was a total income from rents of £1,510.10s. This included fifty-three public houses and hotels bringing in rents between £6 a year, the rent for a small country tavern, and £80, the rent for the White Hart Hotel and Tavern, one of the leading hotels in Margate at the time. Total rents for hotels and public houses came to £852.16s.6d. Three farms at Hartsdown, Westbrook and Garlinge were let for £225.2s. to a Mr. Sackett Wood.[2] The rest of the property consisted mainly of cottages, houses and shops in

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1. KAO, U1453/T2, Bundle 2. In the 1720s Lewis spoke of Margate having been noted for brewing a type of ale, originally known as North-down ale, but later as Margate ale, in the latter part of the seventeenth century. This had declined by the 1720s either because of changes in popular taste or because the relevant brewing techniques had been lost. Lewis, op.cit., pp. 94-95; Whyman, Aspects of Holidaymaking... pp. 80-81.

2. Possibly a relation of Francis Cobb I's wife, Elizabeth Sackett.

Margate worth between £4 and £8 per annum, although a few properties such as a house on the Marine Parade let to a Mr. C. Cobb, produced rents of between £32 and £42 a year.[1] Income from rents alone was sufficient to put Cobbs on a par with the lesser gentry at this time,[2] and income from this source, particularly from the public houses, was to rise substantially in the following decades.

It was during the life time of the first Francis Cobb that the other main strands of the family's business, the bank and the shipping agency emerged. It was common for brewers of this period to develop alternative business interests, since the economics of transporting beer put a distinct limit on the extent to which profits could be profitably re-invested in brewing. With high land transport costs and beer being a cheap and bulky commodity, most brewers had to limit their sales to within about fifteen miles of the brewery. Brewing was evidently a profitable business in the eighteenth century, and with profits accumulating, many brewers sought new outlets in which they could invest. Professor Mathias writes that "the distinguishing mark of the entrepreneur was non-brewing activity, only the unenterprising being content to slumber peacefully as brewers or rentiers in a traditional market in a traditional way".[3]

The shipping agency was the first of these activities to emerge, the earliest evidence dating back to 1770.[4] This business consisted of the

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1. KAO, U1453/B2/4/2, Rent Ledger.
2. G.E. Mingay, The Gentry, (1976), pp. 13-14.
3. Mathias, op.cit., pp. 322-330.
4. KAO, U1453/B5/3/1, Bundle B.

organisation of a wide range of services, including the supply of anchors and cables to passing ships, the supply of ships' provisions, the assistance of ships in distress, and the salvage of wrecks. These were traditional maritime activities in East Kent, collectively known as foying, an important business given that the English Channel was the world's busiest shipping route. Francis Cobb was not generally directly involved in the provision of these services but acted as an agent between the shipowners and the traders and boatmen of Margate. He was well qualified for this position in at least three respects. The nature of the business would require dealings with shipowners and charterers operating from places remote from Margate. They would generally prefer to deal with a substantial, safe and respectable trader who could be trusted rather than a trader of small means, especially as the agent was expected to incur all the necessary expenses on the shipowners behalf. As early as 1770, Francis Cobb was an important businessman in the town and took on an important function in its government.

Francis Cobb was appointed as 'deputy' to the Mayor of Dover in 1769, an office that was to be held successively by his son and grandson until Margate became an incorporated borough in 1857.[1] As deputy, he exercised all the powers of mayor in Margate, which at that time was an unincorporated limb of the Cinque Port of Dover, in the absence of the Mayor of Dover. This helped to improve his standing and respectability, but it also connected him with the Cinque Ports organisation which had jurisdiction over shipping matters in the area, particularly over salvage awards. The agency business was mainly concerned with the payment of

1. W.F. Cobb, Memoir of the late Francis Cobb of Margate, (Maidstone, 1835), p. 45.

debts incurred locally, for which service Cobbs charged a 5 per cent commission, and then drew a bill on the owners.[1] With profits accumulating from the brewery and its favourable cash position resulting from the possibility of buying raw materials on credit and selling beer for cash, Francis Cobb would have had the surplus funds necessary for this sort of work.

In granting credit to people with business in Margate in this way, Cobbs were already acting as embryonic bankers. This sort of facility was extended to people visiting the town even before Cobbs had formally become bankers. The earliest examples are in 1781, when £50 was lent to a Mr. Robinson, and 1782, when £80 was advanced on a promissory note, to a J.L. Landon of Cheshunt House, Hertfordshire.[2] A second feature of the shipping agency that was probably important in the development of Cobbs as bankers was that it produced a supply of bills, mostly on London houses of good standing, which could be endorsed and used for the remittance of funds to the capital or elsewhere. The importance of this function is illustrated by Smiths' Bank of Nottingham, which is claimed to have originated in the second half of the seventeenth century because, as mercers, the Smiths had good connections with London and were able to provide remittance facilities.[3]

By the 1770s, Francis Cobb was closely involved in local affairs. A second appointment which would have enhanced his respectability and encouraged him to open a bank, was that of a commissioner of the land

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1. See below pp. 366.
2. KAO, U1453/B3/15/82, 6 November 1781, U1453/B3/15/1685.
3. J.A.S.L. Leighton-Boyce, Smiths the Bankers, 1658-1958, (1958), pp. 15-20.

tax. There is evidence for his acting as a commissioner for the parish of St. Peters (Broadstairs) as early as 1762, and for his own parish of St. John from 1770.[1] The functions of the district commissioners were to appoint assessors, to examine the accounts of the taxes paid by the parish collectors to the Receivers General, and to make out "'parchment schedules' containing an account of the sums discharged from the assessment, of the sums chargeable on defaulters and of the re-assessments, if any, on the parishes of their district", to hear appeals and to issue special warrants for the apprehension of defaulters or the sale of their effects. Despite all these tasks, the post was unpaid and, since the taxes did not pass through the commissioners' hands, there was no opportunity for Francis Cobb to use public money for banking purposes in the way that Receivers General could.[2] Nevertheless, Francis Cobb was in a good position to supply bills on London, the favoured form of remittance at that time, while the parish receivers were likely to find a bank a suitable place to put their funds. Francis Cobb was certainly remitting excise money to London in 1782, and there is clear evidence for a later period that the Margate Bank was used for the remittance of the land tax.[3]

Francis Cobb offered several banking services in the early 1780s, before the Margate Bank was established. When, in 1784, a local trader

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1. KAO, U1453/01/77-88, U1453/01/35-40.

2. BPP, Report of the Select Committee ... to consider ... the Land and Assessed Taxes, 1821, VIII, pp. 3-6; Pressnell, *Country Banking in the Industrial Revolution*, (1956), pp. 56-74.

3. KAO, U1453/B3/14/7, 12 April 1782; U1453/B3/15/1819.

was detained in London, he was able to write to Francis Cobb asking him to advance £40 to his foreman for the payment of wages.[1] The most important advances granted locally, at this time, were to the wardens, and subsequently the commissioners of Margate pier, who were responsible for the pier until 1812. Increased expenditure on pier maintenance meant that the accounts tended to be in deficit after 1776, and it was in his capacity as treasurer that Francis Cobb financed this deficit.[2] One very common function of banks at this time was to act as agents to present bills for acceptance and payment. Francis Cobb is known to have done this as early as 1781 on behalf of the London bank of Herries & Co.[3] In 1784, Cobbs were employed by the Brussels firm of Danoot Fils & Co. to arrange for the sale of French crowns in London. In that period there were boats plying between Margate and Ostend, and in the September of 1784, Danoot Fils & Co. sent 6,900 French crowns to Cobb, adding,

> "We now are waiting to learn the event and the sums of that speculation, and towards rendering it profitable we do not doubt of your making your best endeavours."[4]

There is evidence, furthermore, of a regular correspondence, in 1782 and 1783, with a London firm called Nash & de Beaume, who in many

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1. KAO, U1453/B3/15/64, 1 April 1784.

2. Ibid., U1453/053/1. See below, pp. 395-6.

3. Ibid., U1453/B3/15/928, 11 August 1781.

4. Ibid., U1453/B3/15/507, 22 September 1784.

ways acted like agents for a country bank. The trade directories describe them as merchants and, judging by the number of books they sent to Cobb to be forwarded to the Continent, they appear to have been stationers.[1] Money was remitted to and from an account with this firm much as if it were the agent for a country bank. On 30 December 1782, for instance, Nash & Co. acknowledged remittance of nearly £650 plus,

> "a bill handed us today by a W$^{m}$ Sam$^{L}$ Tongue and endorsed by him of £15, on and accepted by a Mr. George Slaton. [They added that] due honor shall be shown to your seven drafts to the order of Sundries together £280 for which it is well you had given us credit."[2]

With all this banking activity in the early 1780s, it is not surprising that there should be some confusion over the date of the foundation of the Margate Bank. 1783 has been quoted as the date of opening but there is little evidence to support it.[3] This was the date of the building of Francis Cobb's mansion generally known as 'Bank House', but it was not until two years later that an extension was built to house a bank.[4] 1785 is the date preferred by Professor Sayers, and seems to have most to commend it, for, apart from it being the year when the building was completed, it was also the year when Cobbs opened their account with the London bank of Sir James Esdaile & Co.[5] Further support

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1. The London Directory for 1780, p. 118; Kent's Directory for 1781, p. 122; KAO, U1453/B3/14/IV, 16 February 1782, 23 February 1782, 2 March 1782; U1453/B3/15/1377, 30 December 1782.

2. KAO, U1453/B3/15/1377, 30 December 1782.

3. L.S. Pressnell, Country Banking in the Industrial Revolution, (1956), p. 50. This was based on evidence supplied by the manager of the Margate branch of Lloyds' Bank.

4. The Dark Horse - Lloyds Bank Staff Magazine, vol. XIII, No. 8, July 1832, p. 364.

5. R.S. Sayers, Lloyds Bank in the History of English Banking, (Oxford, 1957), p. 2; KAO, U1453/B3/11/1.

for this date comes from a letter written by John Chippendale to the second Francis Cobb on 8 October 1785, congratulating him and wishing him every success in his "new Undertaking".[1]

The second Francis Cobb, (1759-1831), who had joined his father in business in 1780, was possibly admitted to the partnership in 1782,[2] after having received a 'mercantile education'. At an early age he had been sent to Ashford Grammar School, and from there, in 1775, at the age of sixteen, to a school at Nordwyk in Holland. This was an international school, taking fifty boys from different countries and training them for business.[3] In a letter written to his sister, he made clear his determination to succeed.

> "My good father's desire for my improvement cannot be greater than mine... The more I am employed the more I like it, and whenever I am absent it is most in my thoughts, and with the greatest pleasure I return to it... I have been accustomed to get up all the summer at five; and as the winter comes on I shall ask M. De Veer to let me stay up after the rest, to make up for the want of light in the morning."[4]

His progress at school was confirmed by a family friend, Mr. Henshaw Russell. At the end of 1775 it was said that it had been rapid, and "uncommonly so in the French tongue".[5] By the following March he was said to have mastered Dutch as well, to rise early each morning,

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1. KAO, U1453/C51, 8 October 1785.
2. Cobb, op.cit., p. 12; KAO, U1453/B3/14/D , 6 April 1782.
3. Cobb, op.cit., pp. 2-3.
4. Ibid., p. 5.
5. Ibid., p. 8.

and to be constantly employed.[1] His mercantile education was completed by a spell in the counting house of the Amsterdam firm of Pye, Rich & Wilkinson.[2] This was an unconventional training for a brewer's son who would more commonly be apprenticed at some other brewery where he would be given practical instruction in brewing beer and the purchase of malt and hops. It would appear that the first Francis Cobb intended that his son should develop the financial side of the business, but the lack of any deep knowledge of brewing was to cause problems at a later date, especially as his grandson, Francis William Cobb, also lacked such an education.

Brewing ability was the "crux of commercial success",[3] and the trade was usually lucrative for a good brewer. If the brewer were unskilled, however, much could be lost if he failed to purchase appropriate raw materials, if he misjudged the malt and hop markets or brewed bad beer leading to waste and a falling off of sales. After the death of Francis Cobb I in 1802, the brewing side of the business was undertaken by his nephew, who was also known as Francis Cobb. He, in turn, died very suddenly in 1818. It was not until 1823 that one of Francis William's younger brothers, Thomas Francis Cobb, was trained to take over the management of the concern.[4] In the interim period, the sale of the

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1. Cobb, op.cit., p. 9.

2. Ibid., pp. 8, 10.

3. Mathias, op.cit., pp. 271-273.

4. This training took place on the premises in Margate, with instruction being given by a Mr. Cowell. In 1826, a Mr. Paul from a firm of West End ale brewers known as Ball & Co. was employed to give instruction in the brewing of fine ales. KAO, U1453/C550, 3 January 1823, 5 February 1823; U1453/B2/40/563; The Licensed Victuallers' Gazette, 4 December 1875, p. 396.

brewery was considered, partly, the correspondence seems to suggest, because of moral doubts about the brewing business, but mainly because they had to depend on a manager, who, because he did not have a stake in the firm, the Cobbs' believed was not sufficiently committed to the work.

> "We certainly did not feel ourselves satisfied [wrote F.W. Cobb in 1825] with the steadiness of his attention in our concern. This does not reflect upon his honesty or sobriety but upon that uniform steadiness of management which is both desirable and naturally to be looked for in a party confidentially entrusted with the care of our concern."[1]

The second Francis Cobb led a sad and tragic life. He was married three times, but each of his three wives met an early death. He first married Elizabeth Chippendale, the daughter of the London cooper, John Chippendale, in 1786. John Chippendale, a close friend of the elder Francis Cobb, must have been a man of considerable wealth since his firm is known to have been the most prominent supplier of casks to the London brewers at this time. In 1810, John Chippendale was said to be the 'largest cooper in England'.[2] The link between the two families was to prove enduring and useful, particularly when Cobbs were in financial difficulties,[3] and members of the Chippendale family were admitted to the partnership of Cobb & Co. in 1842. Francis Cobb's first marriage lasted for little more than a year, as Elizabeth died in February 1787 after having given birth to Francis William Cobb. This was evidently a great personal loss and led to a heightened concern with religion, which tended to increase as he grew older. One of his sons, the

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1. KAO, U1453/B2/40/601. Reply to letter of 29 November 1825.

2. Mathias, op.cit., p. 56.

3. See below, pp. 94-106.

Rev. William Francis Cobb explained that,

> "Hitherto the influence of religion on his character had only appeared in that regular attendance on its ordinances in which he had been early trained, and his correct and amiable discharge of relative and social duties; now he realised its transforming and elevating power, in raising the affections from earth and fixing them on God and Heaven... In his lonely evening rides after the business of the day, he was never without his pocket Bible, Watts's Psalms, or Grosvenor's Mourner. Companions such as these not only soothed the anguish inseparable from the recollection of her with whom it had been his chief delight to share these evening recreations, but converted them into seasons of 'refreshing from on high'."[1]

His religious views moved towards the nonconformists and he became a regular worshipper at a Baptist Chapel, even though he always remained a member of the Church of England.[2] These views were in some respects severe. The Rev. Cobb explained that although Francis Cobb had at one time been fond of the theatre and dancing

> "no sooner was he convinced by experience how contrary to Christian principles and taste are the amusements of the stage, the race-course, the ball-room, and the card-table, than he cheerfully renounced them all."[3]

Francis Cobb met his second wife, Mary Blackburn, at the Baptist Chapel and they were married in 1794. Mary was a devout christian and the marriage was, according to Francis Cobb, "one of singular Blessedness, in temporal and spiritual respects".[4] The marriage produced three sons who survived their parents, Thomas Francis Cobb, who eventually took over the management of the brewery, William Francis and John Francis Cobb

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1. Cobb, op.cit., pp. 12-13.
2. Ibid., p. 14.
3. Ibid., p. 7.
4. Ibid., pp. 28-29.

who both became Church of England clergymen.[1] It also encouraged business connections with the Blackburn family. The family originated from St. Peter's in Thanet and had various business interests; one member was a partner in the Ramsgate bank, which in its early days was known as Austen & Blackburn, while other members of the family had interests in farming, a merchant's business in London, and shipbuilding in Plymouth. Like the Chippendales they gave assistance to the Cobbs in times of financial difficulty.[2] This second wife died suddenly of a fever in 1802, shortly after the death of the first Francis Cobb and her own mother. Francis Cobb's third marriage took place in 1805 to Charlotte Curwen, the daughter of a Baptist minister of Fenstanton in Huntingdonshire.[3] This was the longest of the three marriages, lasting until Charlotte's death in 1823 and producing two daughters who survived their parents.[4] Again, the marriage led to the gain of an important business connection; the Barbers of Denmark Hill, London.[5]

After about 1812, the handwriting of the second Francis Cobb is rarely seen in the records of the bank, brewery or the shipping agency. Most of the work seems to have been done by his son, Francis William Cobb, with the help of a clerk, Samuel Lewis, who came to take a larger share of the work by the 1830s. Francis William Cobb took up the half share in the partnership, left to him by his grandfather, on reaching the

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1. Another son and a daughter died in infancy. Cobb, op.cit., pp. 45-6.
2. See below, pp. 403-14.
3. Cobb, op.cit., p. 51; KAO, U1453/C2, Bundle A.
4. One other child died in infancy.
5. See below, pp. 174-176, 213.

age of twenty-one in 1808.[1] There is reason to believe then that the second Francis Cobb was playing a less active part in the business after about 1812, at least as far as the written evidence of routine business is concerned.[2] This would be understandable, given his overwhelming concern with religion[3] and his public and official duties. Like his father, he served as Deputy to the Mayor of Dover, was treasurer to the pier and improvement commission, and the Royal Sea Bathing Infirmary, a consul to several foreign governments, an agent for Lloyds and a prominent benefactor of many local charities.

There is evidence that he was finding the pressures of business to be too great a burden by 1812, especially where these overlapped with his public duties. The bank was in a perilous position in these years: the building of a new brewery had involved a heavy financial outlay and the general economic climate was unfavourable.[4] Francis Cobb's powerful position in the town of Margate often led him into controversy, and the extreme difficulties caused by the financing of the rebuilding of Margate pier at this time exposed him to much criticism by opposing factions and in the press. In his private journal he noted, "I never went willingly into public business, and it now becomes more irksome than ever".[5] A degree of public criticism was inevitable given the Cobb family's prominent position in the town, and sometimes took the form of a poster

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1. LBA, A20 b/5.

2. By 1819 he was complaining that the infirmities of old age were creeping up on him, Cobb, op.cit., p. 74; and in 1818 he had "very little inclination for writing", KAO, U1453/C550, Bdl. A, 10 July 1818.

3. A letter of 1788 brings out this concern for religion, "I can never speak enough ... in praise of religion ... there is no real happiness but in true religion". Cobb, op.cit., p. 15.

4. Ibid., p. 58. See pp. 99-105.

5. Ibid., p. 60. See pp. 396-401.

A Scurrilous Public Attack on the Cobbs

# TO THE VISITORS OF MARGATE.

The Committee who have undertaken to guard the morals of this captivating Watering Place, and to carry into effect the pious intentions of SIR ANDREW AGNEW, have the satisfaction to inform the Visitors of Margate that they have at last succeeded in their efforts to prevent *Sacred Music* being performed in the Concert Room of the Royal Hotel, on the LORD'S DAY.

They return thanks to the *Directors of the Pier and Harbour Company* for their co-operation in this sacred cause, by prohibiting their Band of Music from playing on the Promenade on the evening of the *Sabbath;* and they take this opportunity of making known to those Ladies and Gentlemen who are now sojourning here, that, instead of Music on the Pier, there will be preaching of the *true* Gospel on board the Royal William Steamer, lying in the Harbour, by a Successor of that zealous apostle, the REVEREND BOATSWAIN SMITH, whom the agents of *Satan* unjustly cast into *Aylesbury Prison.*

They hope and trust, by God's help, to suppress altogether *Sunday* trading—to close all Bakers', Butchers', and Barbers' shops—to put an entire stop to profane amusements on the *Sabbath day*—to prevent the catching of Shrimps—the use of Bathing Machines—the arrival and departure of Stage Coaches and Steam Boats—the engaging of Sailing Vessels for vain pleasures—the sinful promenading on the Pier and Jetty—the wicked assembling of ungodly persons in those accursed temples of *Beelzebub*, at TIVOLI and RANELAGH—and particularly to put down the hiring and letting of all those Carriages, Phaetons, Gigs, and vehicles of every description wherein the *Devil* drives his deluded Votaries over this, once religious, Island on the *Lord's day*, to the displeasure of ALMIGHTY GOD—the contempt of His holy word—the scandal of the Christian religion—the inevitable destruction of their precious souls—and the eternal disgrace of the town of *Margate.*

The Committee do not consider it their duty to interfere with any Brewer for boiling his Copper, or turning his Malt, on the *Lord's day*; and far be it from their intentions to deprive the humbler classes of Society, of enjoying on the *Sabbath* that wholesome beverage known by the name of DOUBLE X.

It is the opinion of this Committee, as well as SIR ANDREW AGNEW, that the *Sunday*-brewing, or selling an article so essential to the comforts of the Poor, is in strict accordance with a due observance of the *Sabbath*, it being an Act of "PIETY, CHARITY, or NECESSITY," and, as such, is excepted by his Bill.

The Visitors will therefore take notice, that the Public Houses appointed for the sale of that favourite Restorative will continue open as usual on the *Lord's day*, and free from molestation; but that *no other* Sunday trading or working ought, in the opinion of this Committee, to be suffered in the town.

They most earnestly entreat those *Directors of the Pier and Harbour Company*, who signed the petition to Parliament in favour of SIR ANDREW AGNEW'S bill, to consider seriously their spiritual welfare, and not to allow the *Sabbath* to be desecrated, nor the Promenade profaned, by the performance of *Sacred Music* in their Orchestra on the LORD'S DAY; and trust they will not disgrace themselves by listening to the complaints, or submitting to the wishes, of the ungodly.

The Committee now conclude by anticipating, with confidence, the thanks of the Inhabitants for having thus abated the nuisance of *Music* on the Pier on the evening of the *Sabbath*, and substituting in its place preaching the *true* Gospel in the Harbour; whereby the influx of Visitors is considerably increased—their stay prolonged—and their morals improved. "**LODGINGS TO LET**" has nearly disappeared—Prosperity every where abounds—and God's blessing now attends the *regenerate* town of Margate.

(Signed) A Member of the Committee.

Denne, printer, Queen St, Margate

Reproduced at 3/4 the original size.

KAO, (Ramsgate Branch), Records of the Margate Pier & Harbour Company.

campaign such as the example illustrated. It was not until after his death in 1831 that the town's debt to Francis Cobb for his part in financing the pier was finally acknowledged publicly.[1]

Francis Cobb's concern for fairness led to a complicated division of his property on his death. His interest in the partnership was to be sold within ten years of his death, or after the death of Francis William Cobb, or at any time with the consent of Francis William Cobb. The proceeds were to be divided into five equal parts; one each to William, Thomas and John Cobb, and the remaining 2/5 to be held on trust for the two surviving daughters and their families. Consequently, Francis Cobb's share was held by his executors, Thomas Cobb, William Cobb and Thomas Oldfield, for the following ten years, during which time, Thomas Cobb, who already had sole management of the brewery, also became a joint manager of the bank.[2] Of the second Francis Cobb's eldest son, Francis William Cobb, only a few personal details survive. The greater part of the business records of the Cobbs, however, date from the time when he reached his majority, 1808, and when he became a partner in the firm so that the lack of personal details is compensated by the wealth of material on his business practices in this period.

Throughout the years 1760 to 1840, the Margate brewery formed the cornerstone of Cobb & Son; it was their most profitable activity and accounted for the greater part of their fixed capital. The early progress of the brewery is not easy to delineate, but four and a half decades of expansion culminated in the building of a new brewery between

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1. The Kentish Gazette, 16 August 1831.

2. KAO, U1453/B1/2/1.

1806 and 1808. Custom-built breweries were rare in country towns before the second half of the nineteenth century so Cobbs acquired a reputation for having a particularly well-designed and ordered brewery.[1] One Chelsea brewer described it as being among the "most convenient Country Breweries".[2] It was also sufficiently impressive to be mentioned in contemporary guide books, one of which claimed that it had greatly increased "the beauty and appearance" of the town.[3] Visitors approaching the town by steamboat were told to look out for "the cliffs rising boldly from the beach, Cobb's extensive brewery [and] that elegant structure Trinity Church", which together formed "a very beautiful picture".[4] The construction of these substantial buildings reflected Margate's growth in importance up to this time.

By this date the Margate brewery had entailed a substantial capital outlay in contrast with its modest origins in the 1760s. A valuation of 1808 stated that "at a nominal value and low estimation", the brewery and the public houses, apparently excluding stock, plant and utensils, were worth £50,000.[5] The New Brewhouse Account in the 'Home Ledger' shows how much was spent in building the new brewery, and in 1813 this came to just over £27,400.[6] This was a substantial figure compared even with the cotton industry of the period. The water-powered spinning mill built by John and Edmund Ashworth near Bolton in 1802, was valued at no

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1. R.G. Wilson, Greene King A Business and Family History, (1983), p. 66.

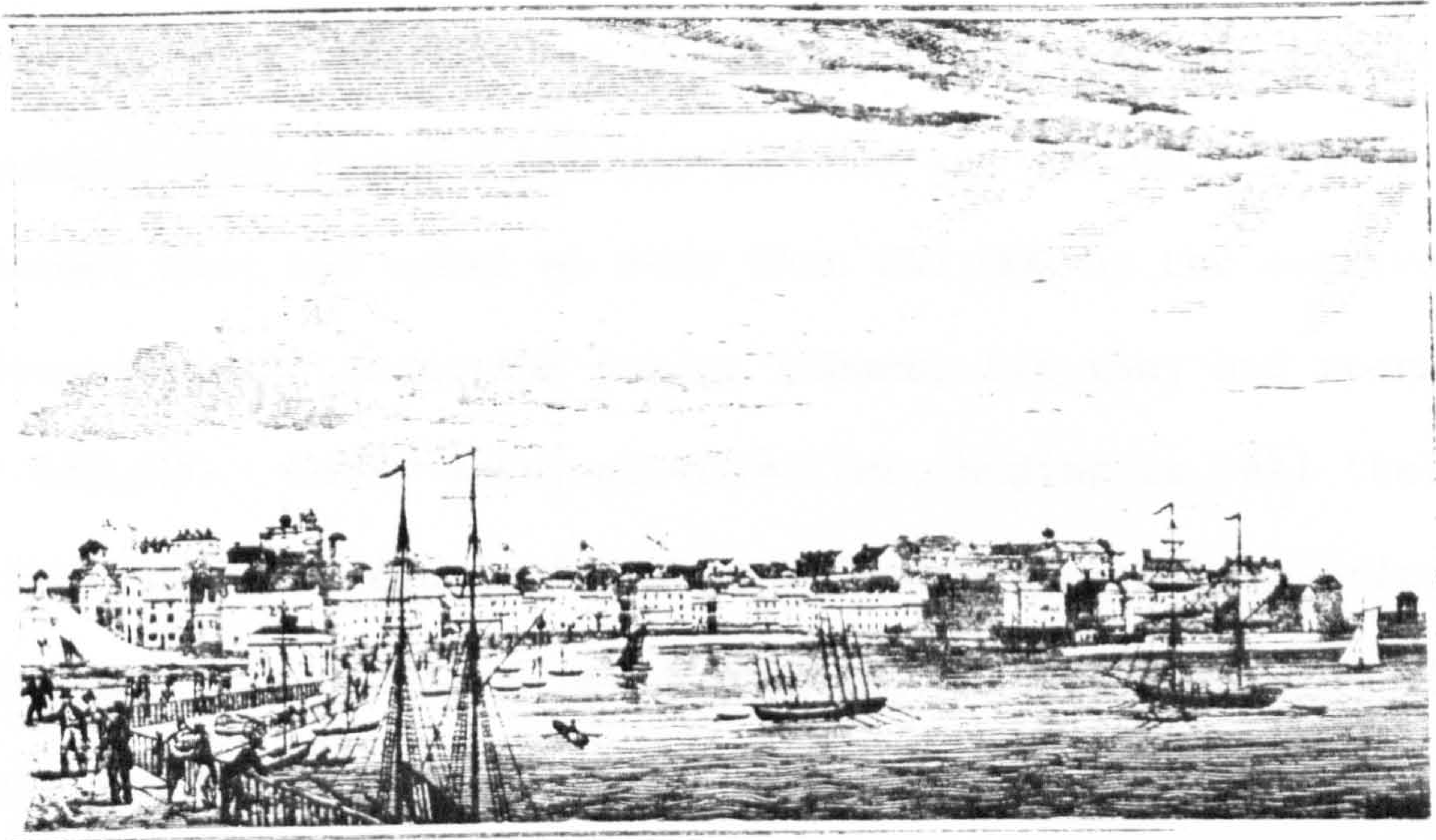
2. KAO, U1453/B2/40/21.

3. G.W. Bonner, The Picturesque Companion to Ramsgate, Broadstairs and Margate, (1831), p. 65.

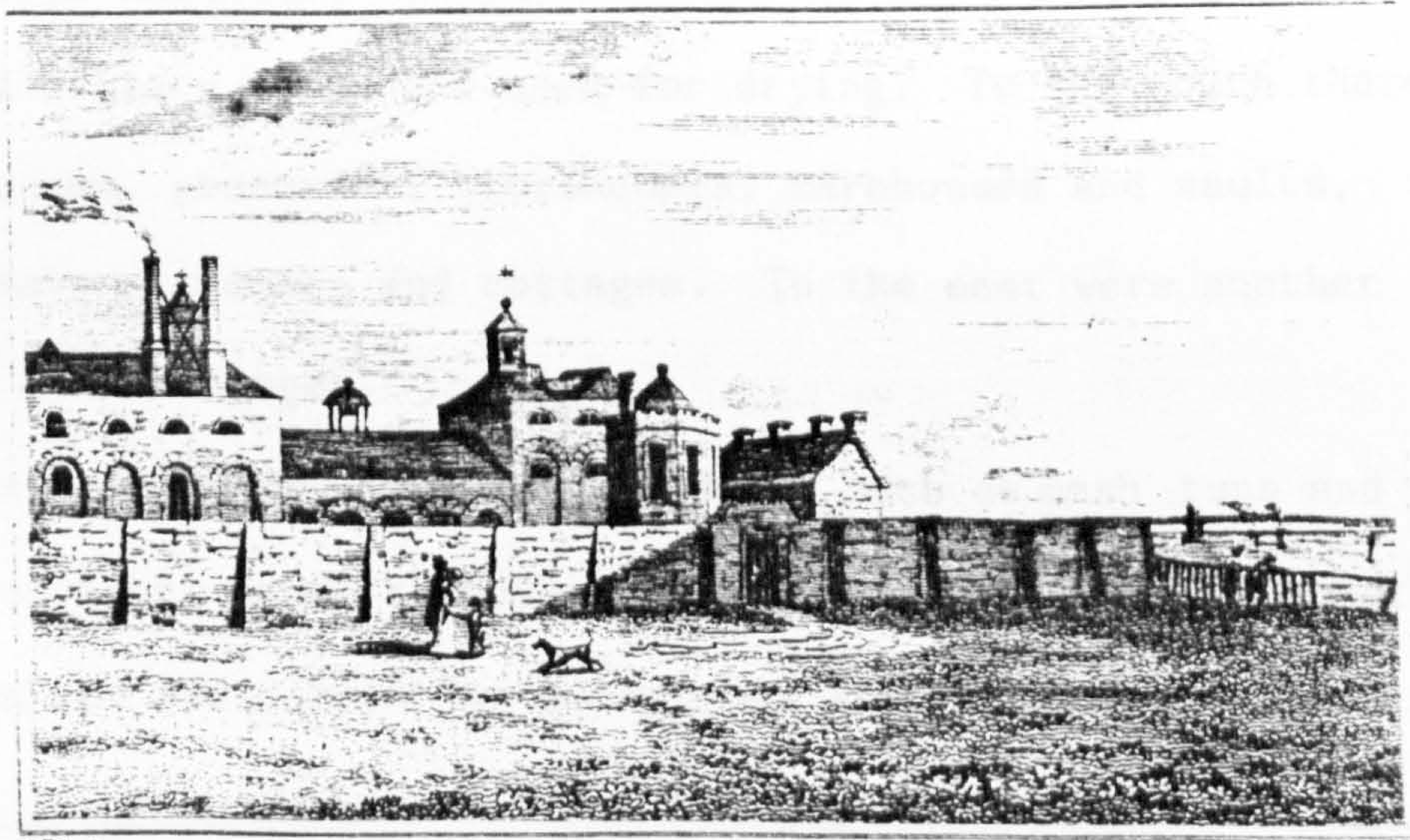
4. Ibid., p. 58.

5. LBA, A20 b/5, p. 25.

6. Ibid., A20 b/2, pp. 257-261.



A general view of Margate from the pier, showing Cobbs' brewery on the left.



A view of the rear elevation of the Margate Brewery.

Source: W. C. Oulton, Picture of Margate, (2nd ed.,1821).

more than £3,000 in 1817.[1] It was not until the 1830s that the investment in an average cotton mill reached between £20,000 and £50,000.[2] In 1819, Cobbs claimed they had spent no more than £42,000 on the construction of all their premises, including the public houses, but they had recently been valued at £80,000. Cobbs were, at this time, hoping to sell their brewery, but there is no evidence of anyone offering such a high price.[3]

A more detailed valuation and inventory was taken in the early 1840s when the brewery and forty-three public houses were valued at £47,901.1s., the plant, utensils, casks and drays at £8,598.19s., and stocks with the good will of the free trade at £6,000. With another figure of £1,708.3s. 3d. for 'Miscellaneous stocks', the total valuation came to £64,208.3s. 3d.[4] At this time the brewery was described as "spacious" with tun rooms, hop lofts, a steam engine room with a well, coal vaults and a large yard with stables, dray sheds, cooperage, two counting houses and a large reservoir. To the north there was a field of lucern for grazing and a piece of ground used for drying. To the south there were two malthouses, granaries, storehouses, warehouses and vaults, together with several houses and cottages. To the east were another storehouse and more cottages.[5]

As well as traditional brewers' equipment such as mash tuns and coppers, the inventory shows that the Margate brewery had moved towards the more mechanised and scientific techniques of brewing introduced

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1. R. Boyson, The Ashworth Cotton Enterprise, (Oxford, 1970), p. 8.
2. P.L. Cottrell, Industrial Finance 180-1914, (1980), p. 23.
3. KAO, U1453/B2/40/21.
4. Ibid., U1453/E18.
5. LBA, A20b/1.

during the industrial revolution. This included more scientific measuring equipment such as a saccharometer, and a new source of power, an 8 h.p. steam engine which could be used for pumping liquids about the brewery, grinding malt, and for driving two mashing machines.[1] Cobbs were not, however, as has sometimes been asserted, among the earliest firms in Kent to purchase a steam engine.[2] Boulton & Watt were supplying steam engines to brewers from 1784, and in Kent they sold one to Sheppard's of Faversham in 1789, Best's of Chatham in 1799 and Currie's of Bromley in 1825.[3] In the Cobb records there is evidence of a firm of Southwark engineers, John and Jonathan Dickson, having set up a 30 h.p. engine for grinding corn in Dover in 1810.[4] This is the earliest date at which Cobbs are known to have considered the adoption of a steam engine. It was considered again in 1818-19 when there was further correspondence with Dicksons as well as Boulton & Watt, and a third firm, Fenton, Murray & Co.[5] It was not until 1824, that the decision was finally taken to purchase a new engine. This was one of five engines ordered at £500 each by a firm, said to be a West India sugar company, which failed before it was able to take delivery. It was consequently available at the much lower price of £320 delivered in London.[6] This was a modest price in relation to Cobbs' total outlay

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1. LBA, A20 d/1, pp. 54, 56-57, 81.
2. Licensed Victuallers' Gazette and Hotel Courier, 4 December 1875, p. 396.
3. Mathias, op.cit., p. 85.
4. KAO, U1453/B2/40/194, 14 May 1810.
5. Ibid., U1453/B2/40/76, U1453/B2/40/194, U1453/B2/40/224.
6. Licensed Victuallers' Gazette and Hotel Courier, 4 December 1875, p. 396; KAO, U1453/B2/40/622, 13 September 1824, 15 September 1824, 1 October 1824, 27 November 1824.

on buildings, and installation costs were kept to a minimum by using as much of the existing machinery in the brewery as possible. The profit and loss account for 1825 records the total cost of installing the new steam engine, a new malt case, cooling fans, (for reducing the temperature of worts), and the necessary connecting machinery, as amounting to £1,981.0s. 5d.[1] Of the other forms of up to date brewing equipment, Cobbs are known to have had mashing machines at least as early as 1808,[2] and to have installed refrigeration equipment by the late 1820s.[3]

The ownership of public houses presented the Cobbs with another opportunity to contribute to the provision and improvement of facilities for the holiday trade. Many of the tied houses must have remained poor, especially those in the country areas which did little trade. The furniture in the Admiral Owen at Sandwich, for example, was said to be worth no more than £7.10s. in 1834. There was

> "only one bed in the house, and that a mixture of Feathers and Flocks, with a very scanty portion of Bedding."[4]

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1. LBA, A20 b/12, p. 41.

2. KAO, U1453/B2/40/45, 20 May 1808.

3. Ibid., U1453/B2/40/264. A 'refrigerator' for cooling worts was patented in 1801 by a brewer named Henry Tickell. Improvements were made in 1814 by John Vallance and by William Bundy in 1823. By the 1820s the device had been adopted by the major London brewers. There were two types of refrigerator. One was where the wort passed through pipes surrounded by cold water, and the other, where pipes of cold water passed through the hot wort. The Cobbs had the latter sort which was said to be easier to clean. Mathias, op.cit., pp. 75-76.

4. KAO, U1453/B2/40/187, 10 June 1834.

The tenant, his wife and three children were to apply to the Poor Law Guardians shortly afterwards for relief. Other houses where the tenants claimed to be unable to make a living included the Bull at Ash,[1] the Swan at Preston near Wingham,[2] the George Inn at Ash,[3] and the Ordnance Arms, later known as the Waterloo Tavern, in Canterbury.[4] The latter, which depended on the barracks for trade, was evidently in a poor physical state by 1827, for the tenant complained that

> "it gets dangerous for the horse to go through the house, the boards are getting very thin and likewise the Window Shutters are so bad that I expect them to fall to peases."[5]

In contrast, those houses that were well placed with regard to the developing holiday industry were redecorated, expanded and rebuilt to meet the higher standards required by most visitors. The most favoured form of accommodation in this period was lodgings, usually a self-contained suite of rooms, including accommodation for servants, but hotels and inns were often used as temporary accommodation while looking for lodgings.[6] A guide-book of 1819 listed three hotels in Margate of the first rank, of which one, the White Hart, was owned by Cobbs. It

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1. KAO, loc.cit., U1453/B2/40/451, 15 May 1823. The tenant was being relieved by the parish at this time.

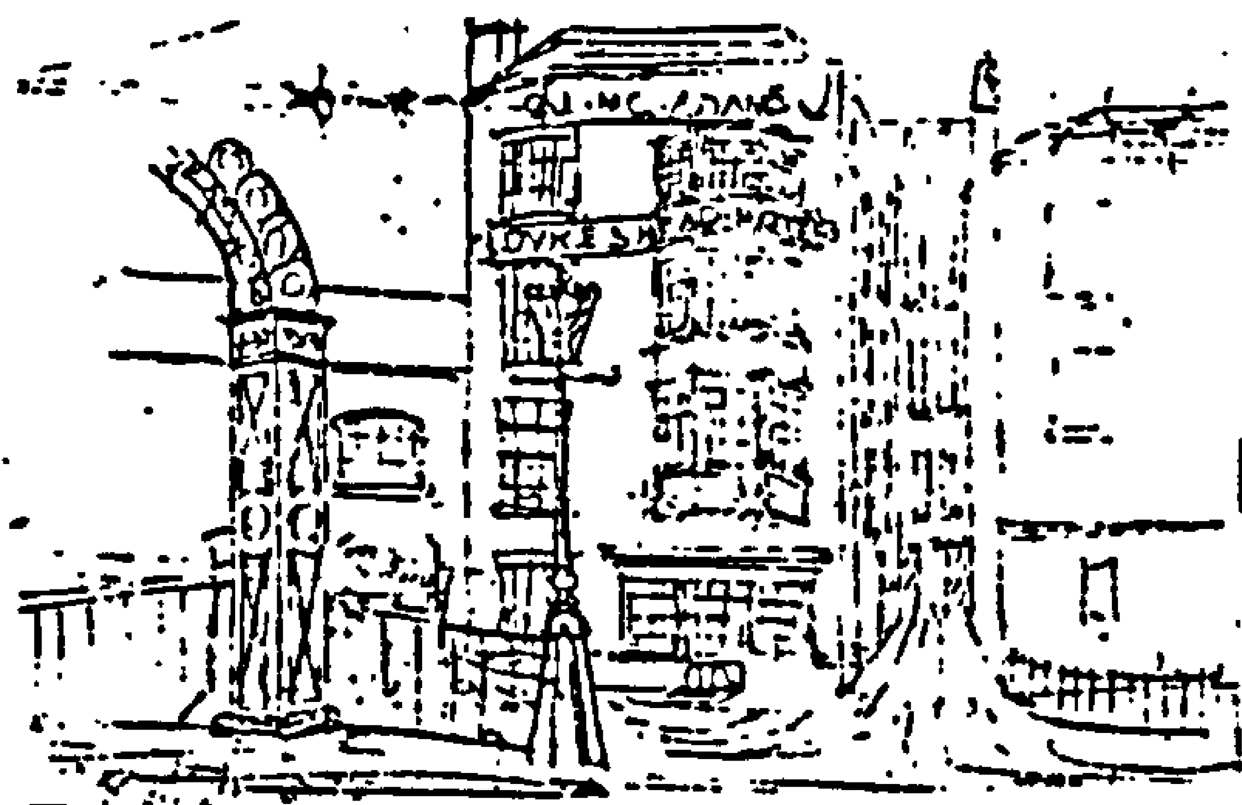
2. Ibid., U1453/B2/40/659, 1 December 1827.

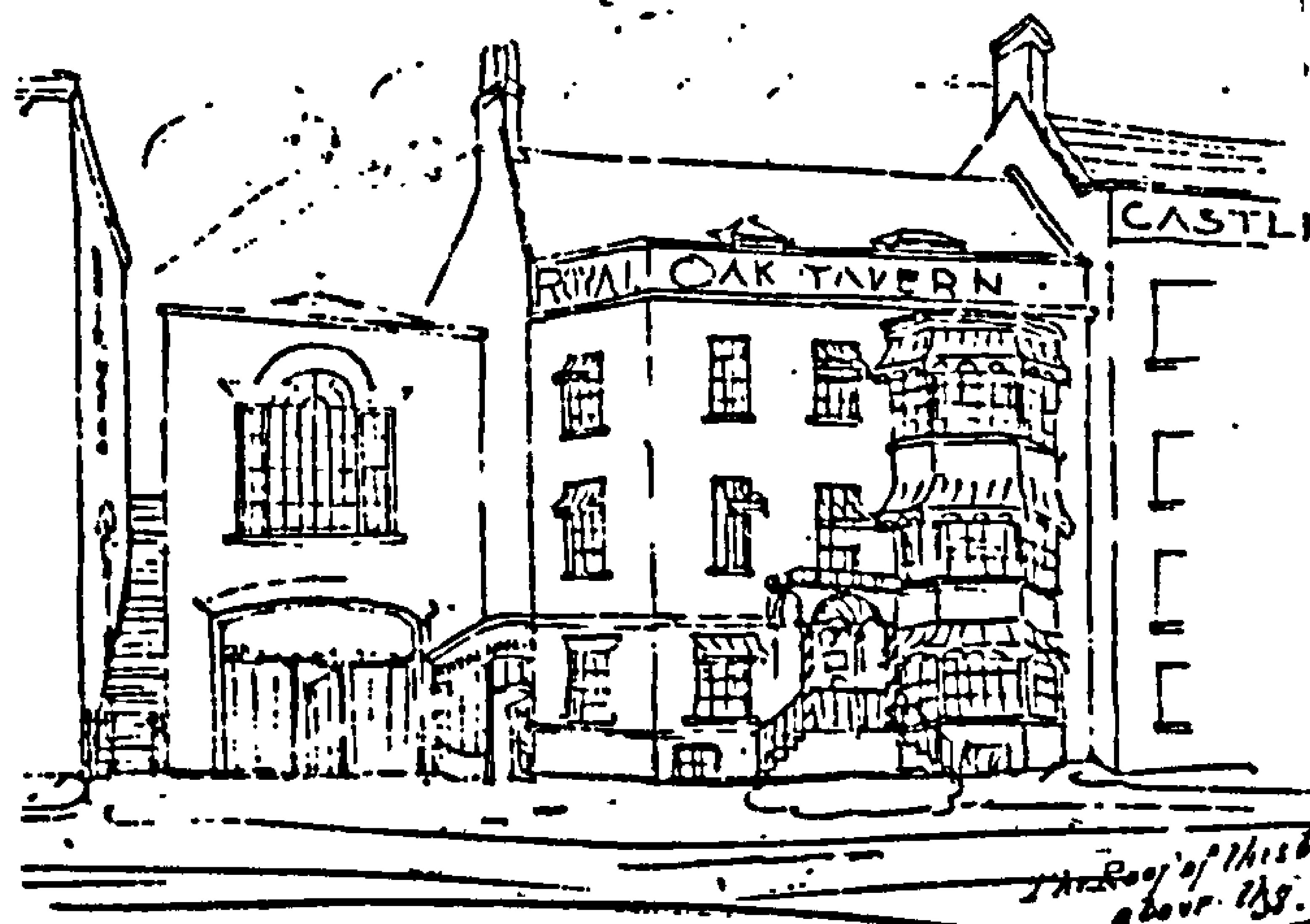
3. Ibid., U1453/B2/40/65, 17 July 1823, 13 August 1823.

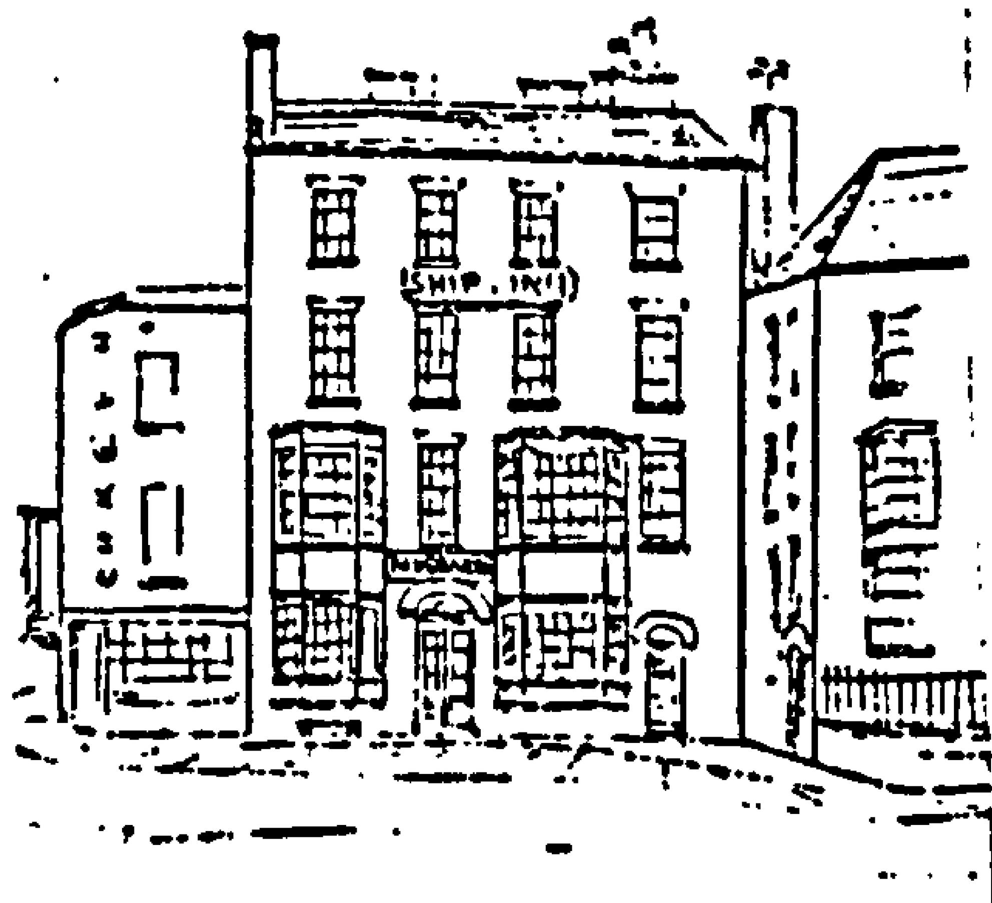
4. Ibid., U1453/B2/40/124; U1453/B2/40/125; U1453/B2/40/438, 10 September 1833, 30 May 1835.

5. Ibid., U1453/B2/40/125, 2 May 1827.

6. Whyman, Aspects of Holidaymaking and Resort Development... , op.cit., pp. 211, 243. Wealthy visitors would rent a whole house.





Some of Cobb & Son's tied houses as sketched between 1828 &1834

Top- Dolphin, Herne Bay middle left- Duke's Head, Margate, middle right- Royal Oak Tavern, Ramsgate, bottom left- Ship Inn, Margate, bottom right- Admiral Owen, Sandwich.

Source: KAO, U1453/P1/4,10,25,33.

then listed six of the second rank, the Fountain, the London Hotel, the King's Head, the Duke's Head, the Queen's Arms and the Old Crown, all of which were owned by Cobb.[1] Dating back at least to the beginning of the eighteenth century, the White Hart remained one of Margate's leading hotels throughout the eighteenth and nineteenth centuries, and in 1835 was said to be worth at least £5,000.[2]

More detailed evidence exists for the development of another of Cobbs' leading hotels, the Dolphin Hotel at Herne Bay which at the same date was thought to be worth £6,000.[3] In the first two decades of the nineteenth century the tenants of this house struggled to make a living and combined running the house with fishing for mackerel.[4] By the early 1830s, with more holidaymakers arriving in Herne Bay it was fit for the reception of visitors both "high and low" and was regarded as one of the leading houses in the bay.[5] At this time the Dolphin was valued at between £2,600 and £3,550, so it was clearly a far superior house to the Admiral Owen at Sandwich which was valued at £400 in the same year,[6] but the house was completely rebuilt in 1833 and 1834 as part of the comprehensive and speculative redevelopment of Herne Bay as

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1. The Thanet Itinerary or Steam Yacht Companion, (1819), p. 45. The guide-book refers to the Queen's Head, in Duke St., but this must be a mistake. See, W.A. Rowe, The Streets of Margate in 1800, entry under Duke Street.

2. KAO, U1453/B2/40/208, Bundle B, 4 February 1835. According to the census of 7 June 1821, the White Hart Hotel employed a clerk, three female servants and two male servants. See, J. Whyman, 'Visitors to Margate in the 1841 Census Returns', Local Population Studies, No. 8, (Spring 1972), p. 29.

3. KAO, U1453/B2/40/208, Bundle B, 20 August 1835.

4. Ibid., U1453/B2/40/580, 26 January 1813, 25 July 1812; U1453/B2/40/135, 5 April 1822, 19 May 1828.

5. Ibid., U1453/B2/40/6, 9 January 1832.

6. Ibid., U1453/B2/40/217, Bundle A, 6 April 1832, 14 December 1832.

a seaside resort by the Herne Bay Pier Company. The new hotel was built by the Pier Company on Cobbs' behalf "in the most substantial manner without regard to expense".[1] The result was a prestigious building containing ten principal sitting rooms with eight marble fire-places, a spacious coffee room, sixteen bedrooms for visitors and rooms in the basement for the tenants. Adjacent to the main building there were a tap room, ten stables and coach houses.[2] Although small by the standards of late nineteenth century hotels, such as the Granville at Ramsgate or the Grand at Broadstairs, and probably smaller than the contemporary Royal and Royal York hotels in Margate, the Dolphin was Cobbs' most valuable inn and must have offered accommodation of the highest standard for the period.[3]

Annual figures for the output of strong beer are available from 1813. Between 1813 and 1830 output varied between 5,194 barrels in 1821, and 6,799 in 1824. During the 1830s this increased to between just under 8,300 barrels in 1831 to a maximum of nearly 9,800 barrels in 1833.[4] This is undoubtedly very small by modern standards, and also by the standards of the contemporary London porter brewers. At the end of the eighteenth century, in 1796, Samuel Whitbread, had already produced more than 200,000 barrels in a year.[5] Nevertheless, as country brewers, Cobb & Son were a substantial firm for the period with twice the output of the average brewery in the Canterbury excise district in 1822, and

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1. KAO, loc.cit., Bundle B, 20 July 1835.

2. Ibid., See also, The Visitor's Guide to the Watering Places, (1842) p. 199; By a Lady, A Picture of the New Town of Herne Bay, (1835), p. 14.

3. Unfortunately it was not a successful investment since the number of visitors to Herne Bay was fewer than had been anticipated. See KAO, U1453/B2/40/6, 1835-1849.

4. LBA, A20 b/12.

5. Mathias, op.cit., p. xiii.

considerably above the average in all the other excise districts apart from London.[1]

The increase in output in the 1830s was one of the effects of the Beer Act of 1830. This abolished the duty on beer, thus reducing the price to the consumer, and 'freed' the trade in beer by making it possible for any person whose name was on the rate book to open a beer shop without having to apply for a licence from the Justices of the Peace. All that was required was that two guineas should be paid to the local office of the excise.[2]

Prior to this Act all public houses and ale houses were licensed by the justices. From the late 1780s most county and borough benches restricted the granting of new licences and were more vigorous in the regulation of existing houses. This was part of a movement to reform public manners and morals, receiving support from the evangelical movement, and from those who wanted to see the poor rate reduced, greater security of property and a better workforce.[3] The second Francis Cobb was a keen supporter of this movement and gave each of his publicans a copy of the King's proclamation against immorality.[4] According to the Webbs, the new policy lasted in a "systematic and self-conscious form" for only about six years, but survived in most areas until 1830.[5]

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1. BPP, Accounts Relating to Strong and Table Beer, 1821, vol. XXI, pp. 2-5; 1822, vol. XXI, p. 6.

2. Mathias, op.cit., pp. 356-61, 369; S & B. Webb, The History of Liquor Licensing in England, principally from 1700 to 1830, (1903), pp. 110-125; H.A. Monckton, A History of English Ale and Beer, (1966), pp. 171-177; KAO, U1453/B3/40/151, contains extensive correspondence on the matter from the Country Brewers' Association.

3. Webb, op.cit., pp. 49-84.

4. Cobb, op.cit., pp. 45-6.

5. Webb, op.cit., p. 49; Mathias, op.cit., pp. 125-130.

As was the case with most brewers, Cobb & Son's principal retail outlets were public houses and with such restrictions on new licences and the predominance of the tied public house in East Kent, the only way to acquire new outlets was to capture existing public houses. There is some evidence of Cobbs having exported beer to the Low Countries in 1787 and 1788,[1] but there is no evidence of any long distance trade growing to any significant proportions until the 1840s, while the development of a private trade was consciously avoided.[2] One solution to the problem was to buy up an existing brewery with a tied trade. Since it seems that with their new brewery Cobb & Son were in a position of surplus capacity, they had a particular incentive to consider such an option to improve the return on their existing investment. In 1821, John Chippendale wrote to Cobbs about the proposed sale of a brewery and fifty public houses in Sandwich.

> "If you intend continuing the concern at Margate it is surely an object worth your attention... 50 Houses in addition to what you have - Why it will give full employment to your Brewery, the very thing that is wanted to make it answer as you will be able to double your trade at perhaps one tenth part of the expence if you can dispose of the plant without any material loss."[3]

No purchase was made in this particular instance, but Cobbs acquired an interest in Deal in the first decade of the nineteenth century. This was a time of great prosperity for the town, it being an important Naval and military base during the Napoleonic Wars.[4] A rent ledger of 1802 shows

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1. KAO, U1453/B2/40/58, 18 April 1787, 19 May 1787, 20 June 1787, 2 June 1788, 10 December 1788.

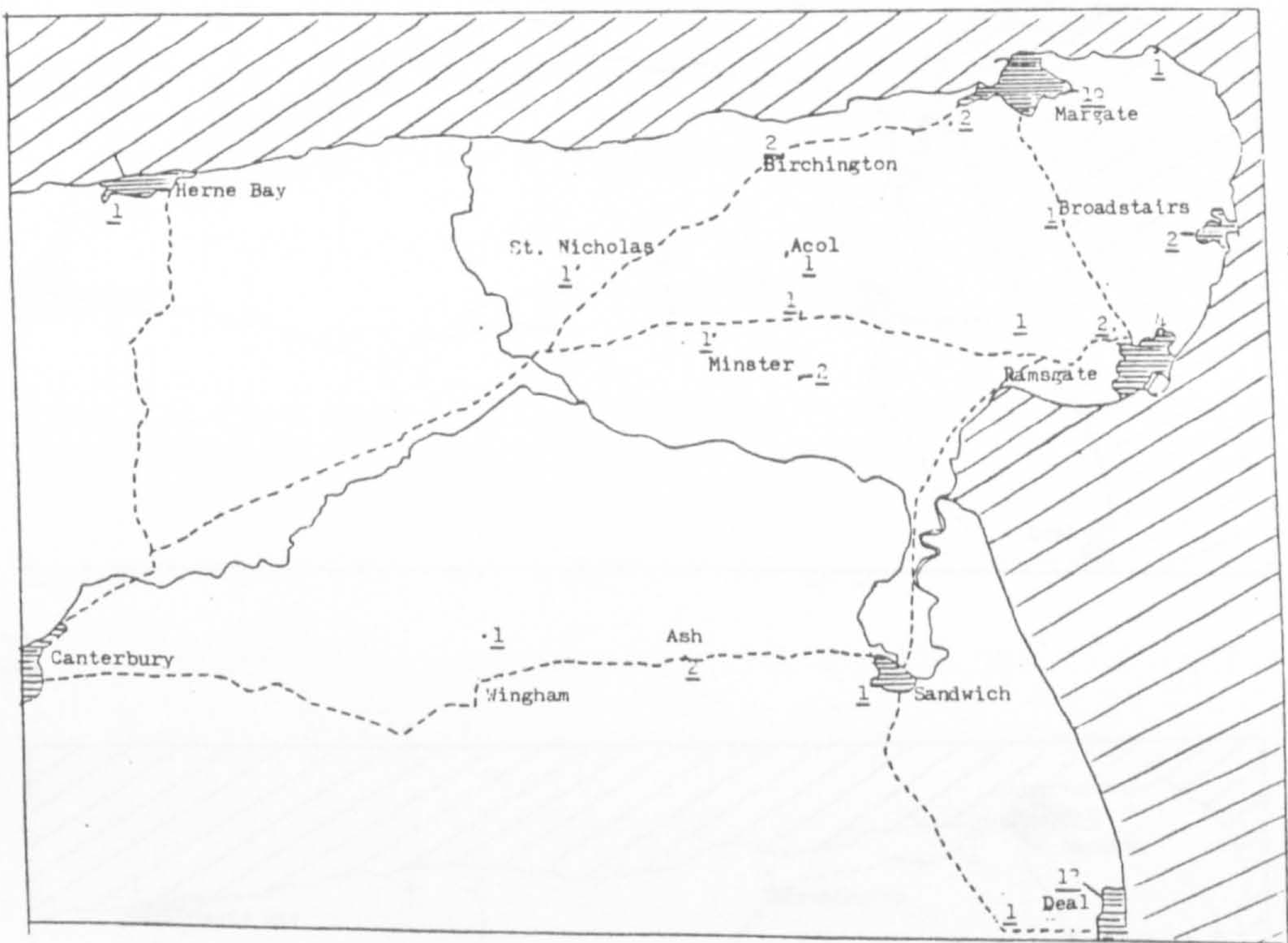
2. Ibid., Cobbs even refused to send beer to the Archbishop of Canterbury, U1453/B2/40/130. See also, U1453/B2/40/33.

3. Ibid., U1453/C51, 10 September 1821.

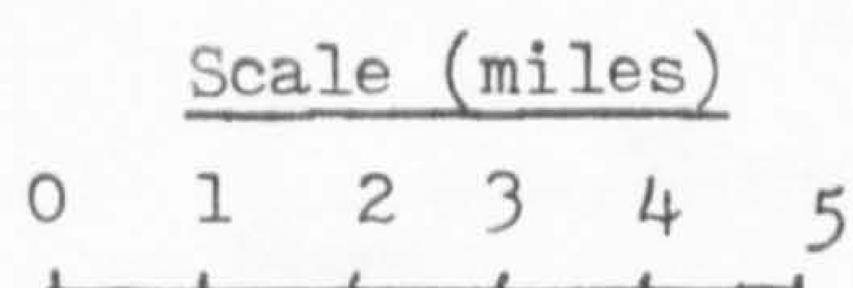
4. J. Whyman, 'Rise and decline: Dover and Deal in the Nineteenth Century', Archaeologia Cantiana, LXXXIV, (1969), pp. 107-137.

## The Distribution of Cobb & Son's Public Houses in 1810, 1820 & 1831

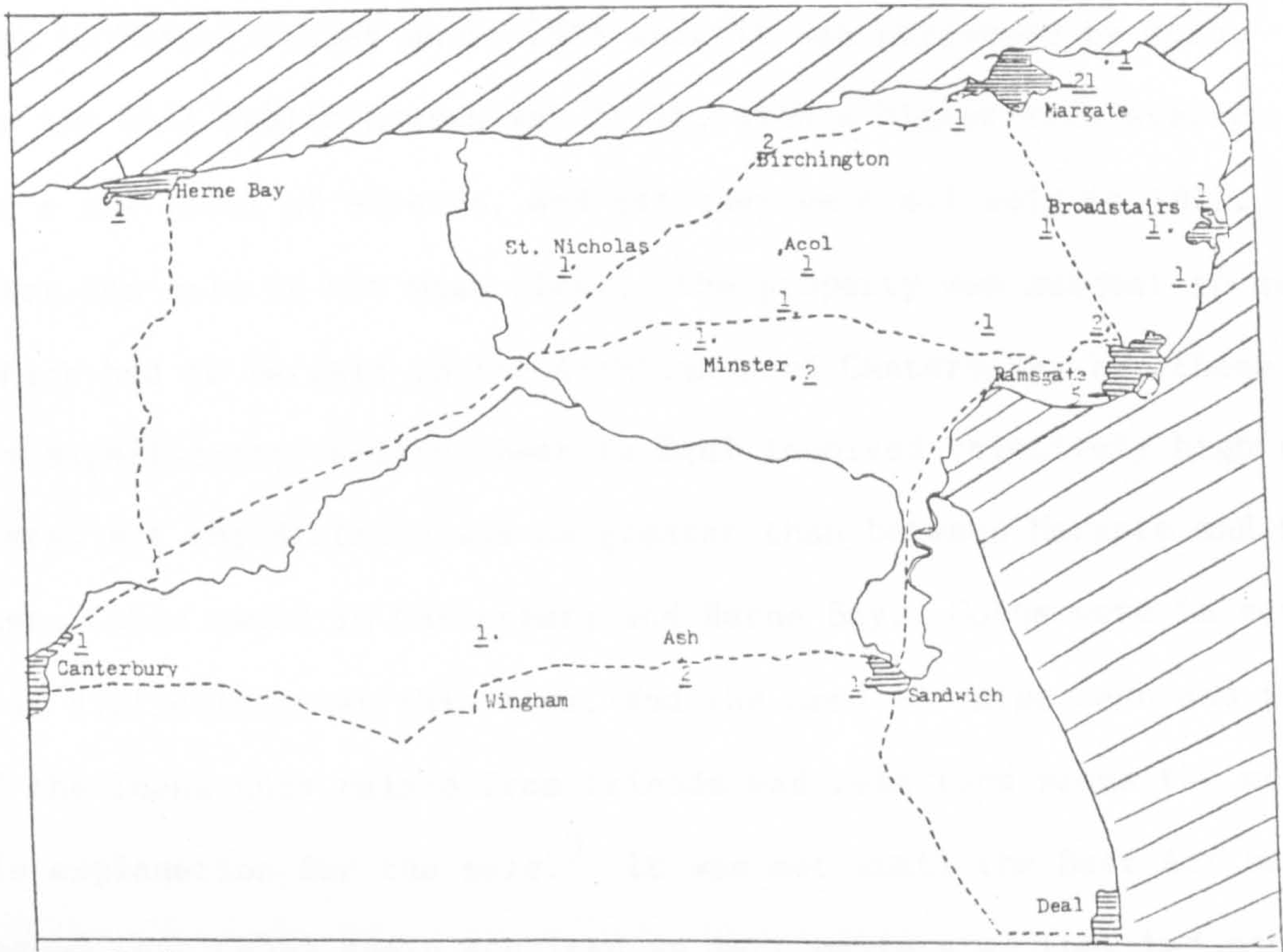
1810



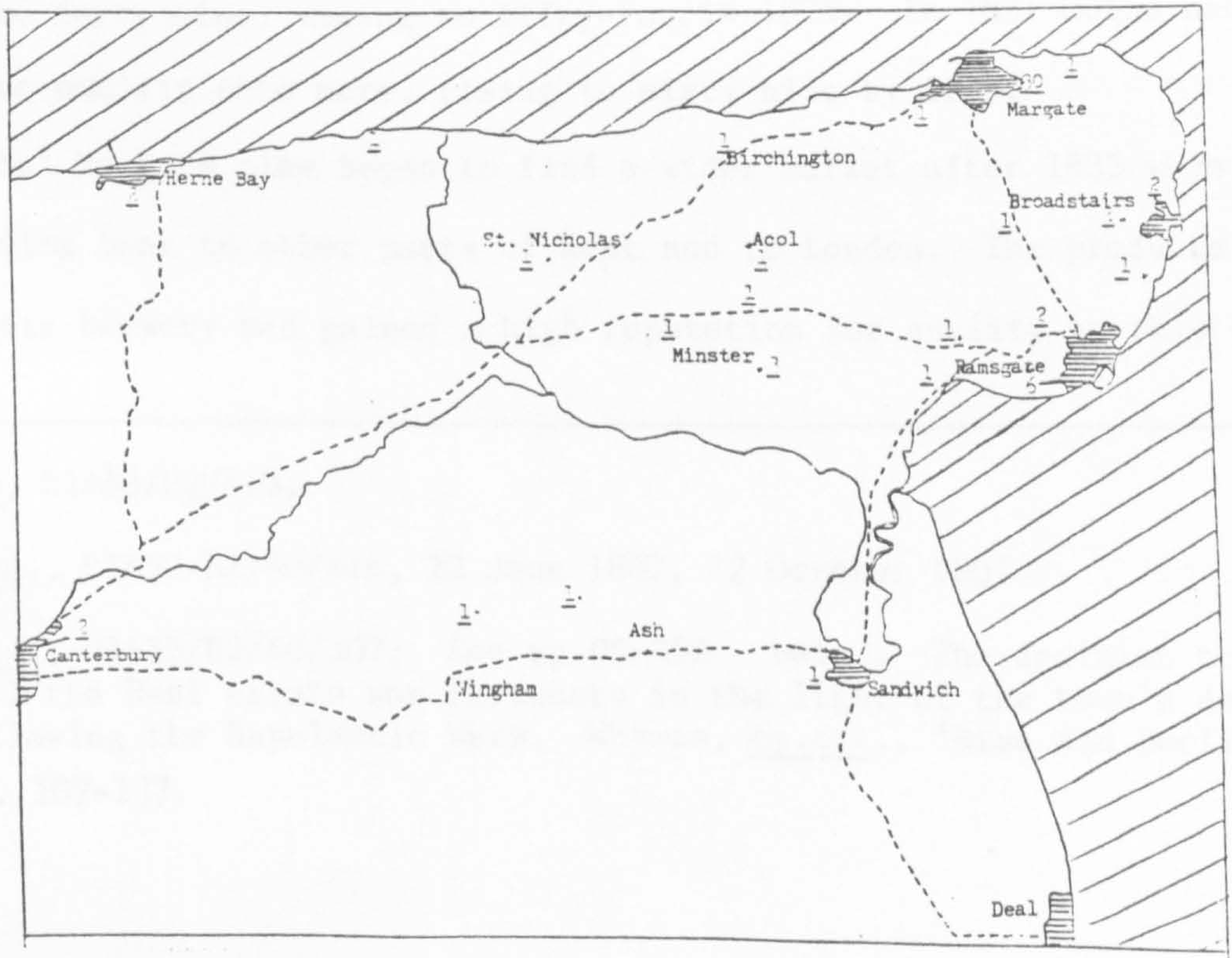

There were three further houses to the south of Deal, at Struddle, Kingsdown and St. Margaret's.



1820




1831




Source: KAO, U1453/B2/1/1-3.

that Cobbs were already receiving rents from twelve public houses in Deal, and others in Shoulden Bank, Kingsdown, St. Margaret's Bay and Struddle.[1] These houses received most of their beer from a small brewery in Deal belonging to Thomas Oakley until 1807 when it was purchased by Cobb.[2] Trade in the Deal public houses was brisk, with a higher than average turnover and a low level of arrears, and yet they were all sold in 1812. The reason for the sale is not made clear; the property was subject to quit rents which had to be paid to the Archbishop of Canterbury, but these were not very significant; selling beer in Deal involved relatively high transport costs, but the distance was no greater than between Margate and the two houses Cobbs owned in Canterbury and Herne Bay. Cobbs were in severe financial difficulties at this time, and the need to raise cash and to pay off the loans they raised from friends and relations seems the most probable explanation for the sale.[3] It was not until the Beer Act had been passed that Cobbs again acquired as many outlets as they had possessed in 1812. In 1810 they had sixty-two retail outlets. By 1820 this had been reduced to forty-nine, rising to fifty-fourin 1825. In 1831 Cobbs had sixty-four outlets once more, rising to sixty-nine by 1835.

Cobbs' Margate ales began to find a wider market after 1835 when they were sending beer to other parts of Kent and to London. The products of the Margate brewery had gained a high reputation for quality by this time.

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1. KAO, U1453/B2/4/3.

2. Ibid., U1453/B2/40/416, 22 June 1807, 12 October 1807.

3. Ibid., U1453/B2/40/307; See pp.99-102 below. The decision to sell the Deal estate was fortunate in the light of the town's decline following the Napoleonic Wars. Whyman, op.cit., 'Rise and Decline...', pp. 107-137.

As early as 1828 Cobbs had been approached by a London wine and spirit merchant with a view to opening connections to satisfy the demand of their "most respectable private Customers" for a "Wholesome Country Ale".[1] In a footnote to 'Misadventures at Margate', one of the Ingoldsby Legends, Rev. Richard Harris Barham claimed that Cobb brewed a "mighty pretty tipple".[2] In 1838, a friend of Cobbs warned a Yarmouth brewer, possibly Lacon's, against trying to sell their beer in the Isle of Thanet since "Mr. Cobb's XX was equal to London XXX" and maintained a high reputation.[3] Perhaps the best testimonials came from those satisfied customers who expressed their approbation by writing to the brewery. One such letter came from a London customer in 1860.

> "A relative of mine, Mr. Rich[d] Holland, having learned that a cask of your Ale which I sent out to Mauritius some years since [1844] was much relished and still remembered, is desirous of sending some out on speculation."[4]

What became of this speculation is difficult to discover, but it does seem that Cobbs' ale was held to be of high quality by a wide section of the population in the middle decades of the nineteenth century. The spread of this reputation was assisted by Margate's function as a seaside

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1. KAO, U1453/B2/40/295.

2. R.H. Barham, The Ingoldsby Legends, (4th ed., 1890), p. 176.

3. KAO, U1453/B2/40/408, 7 May 1838.

4. Ibid., U1453/B2/40/309, 11 April 1860; U1453/B2/40/308, 1 January 1844, 13 January 1844.

resort, and by 1875 it was claimed that

> "apart from the few world-famous firms of London and Burton, it is probable that no brewery in England is familiarly known to so many thousands of persons living away from its immediate locality as is Cobb's of Margate."[1]

By 1837, the trade with London had developed sufficiently for Cobbs to consider setting up a permanent agency for the distribution of their beer.[2] In Kent there is evidence of an agency in Dover by 1839.[3] Beer was usually sent to London by hoy.[4] That bound for other ports of Kent usually went by road,[5] but in the case of Tonbridge, one customer in 1846 asked for a cask of old ale to be delivered by rail and three casks of the current year's best ale to be sent by water.[6] In some cases this ale was destined for public houses and inns such as the Rose Hotel in Canterbury,[7] the Shakespeare Hotel in Dover,[8] or three houses in London, The Talbot in Goodge Street, the Blind Beggar at Mile End and the Fountain in Camberwell Road.[9] Some was sent to the West Indies and Honduras in the mid 1840s,[10] but much of the correspondence is from private individuals. Most of these had addresses in the more genteel parts of London, while in

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1. The Licensed Victuallers' Gazette, 4 December 1875, p. 395.
2. KAO, U1453/B2/40/172.
3. Ibid., U1453/B2/40/37.
4. Ibid., U1453/B2/40/172, 14 October 1837; U1453/B2/40/320.
5. Ibid., U1453/B2/40/439, 20 October 1835, 11 March 1839, 7 October 1837; U1453/B2/40/310, 10 August 1836.
6. Ibid., U1453/B2/40/104, 14 October 1846. Ale was also sent to Dartford, U1453/B2/40/139, Tunbridge Wells, U1453/B2/40/247.
7. Ibid., U1453/B2/40/392.
8. Ibid., U1453/B2/40/310. This hotel claimed to cater for the nobility and gentry.
9. Ibid., U1453/B2/40/571, 18 August 1845.
10. Ibid., U1453/B2/40/522.

the country there were such customers as Rev. Henry Plumptre of Canterbury and Lady Bagot of Bellare House, Walmer Beach.[1] The most prestigious account was for the supply of eight hogsheads and one barrel of ale to the Rangers House at Blackheath for the private use of H.R.H. Princess Sophia Matilda.[2] Many of these private customers were, perhaps, first introduced to the Margate brewery while on holiday in Thanet. Princess Sophia Matilda, for instance, is known to have been staying in Broadstairs in 1834.[3]

Between the foundation of the brewery and the end of the first decade of the nineteenth century it had been transformed from a business with a very modest fixed capital outlay to one with a prestigious brewhouse and a substantial number of tied houses. Unfortunately, the details of the financial contribution of the Margate Bank to both the fixed and working capital requirements of the brewery remain obscure. That bank funds were utilised in the development of the brewery's fixed capital is not in doubt, but the extent of its financial contribution was not clearly stated by the Cobbs of the early nineteenth century and remained a puzzle to subsequent generations. Even a firm of accountants employed in the 1880s to review the position of the firm was unable to solve this problem in a satisfactory manner. At the formation of a new partnership in 1808 the value of all the Cobbs' freehold property; the brewery, public houses and other property was taken

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1. KAO, loc.cit., U1453/B2/40/439; U1453/B2/40/37; U1453/B2/40/484; U1453/B2/40/596; U1453/B2/40/340; U1453/B2/40/123; U1453/B2/40/308; U1453/B2/40/392; U1453/B2/40/411; U1453/B2/40/268, is a letter from Thomas Gurney asking for 3 casks of ale to be sent to Joseph Tritton. Could these be members of the famous Quaker banking families?

2. Ibid., U1453/B2/40/695.

3. The Kentish Observer, 28 August 1834.

at £50,000. The following, rather vague statement was then added;

> "The vested capital of the B$^{k}$ [Bank] merges into the above, having been employed in Purchases & New Improvements for Brewery & the Trade Houses."[1]

Cobbs were equally vague when it came to the shipping agency;

> "The Ship Agency Capital in Stock being of small moment is not taken notice of ... [The statement concluded that]
>
> "All the concerns being conducted under a joint & equal partnership in each, the above is stated as the joint capital of the whole."[2]

This 'joint capital' arrangement was perpetuated under the partnership of 1841 and lasted until 1883 when the accountants mentioned above were employed to disentangle the bank from the brewery. The answer of the accountants was simply to assert that the bank had advanced all the capital that was employed in the brewery, although they were unable to produce any evidence to support this assertion.[3] It would be surprising if Cobbs had to rely entirely on bank finance to develop their brewery since their businesses were yielding a substantial surplus in the early years of the nineteenth century. Although there was a loss of £86 on their banking account between 1801 and 1808, brewery profits amounted to an average of just under £4,000 per year. Francis Cobb's private accounts show that after housekeeping and private expenses the profits of all his enterprises still left him with a surplus of just under £19,600 over this period of six years and one quarter.[4] That most of this surplus was invested in expanding the

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1. LBA, A20 b/5, p. 25.

2. Ibid., p. 25.

3. Ibid., A20 b/57, pp. 16-19, 32.

4. Ibid., A20 b/5.

brewery business seems more than highly probable.

In many cases the cost of improvements and new purchases either was charged to the brewery profit and loss account or appeared as a debit item in a private account. The cost of purchasing the White Horse public house at St. Lawrence for the modest sum of £60, for instance, was listed in Francis Cobb's private account for 1802-3[1], while in 1825 the cost of a new steam engine and machinery appeared as a debit item in the profit and loss account as did the cost of new refrigeration equipment in 1829.[2] It was common for the cost of purchases and improvements to be taken out of profits, as was the £11,831 spent on public houses between 1813 and 1822 and the £6,083 in 1823 and 1824.[3] The only precise evidence of the brewery borrowing from the bank is from a list of overdrawn accounts for February 1808. At that time the 'New Brewhouse Account' was overdrawn by £61.16s.10d. Cobbs drew on the bank to finance the purchase of the brewery and public houses at Deal. In 1808 they were £6,252 overdrawn on this account, while the brewery architect, William Teanby, was also overdrawn for just over £130. Furthermore, Francis Cobb's own account with the bank was overdrawn by £1,412.8s.7d.[4]

With the bank's capital tied up in a dead loan to the brewery there was little to fall back on in times of financial crisis. The frequency with which industrialist bankers used their banking businesses to assist in the finance of the fixed capital of their manufacturing

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1. LBA, A20 b/5
2. Ibid.
3. Ibid.
4. Ibid.

enterprises was a common source of instability, and often a fundamental cause of bankruptcy.[1] In the years before 1815, Cobbs were faced with serious difficulties in virtually every economic crisis and were forced to raise substantial sums from their London bankers, family and friends.[2] Obviously, if their banking capital had been more easily available some of this borrowing would have been unnecessary, but some would still have been needed to avoid disaster if Cobbs had maintained a capital of, say, £10,000,[3] the figure most often encountered as the capital figure for country banks at this time. While the loan to the brewery may have been a source of weakness for the bank, a profitable brewery was also a great strength in that it helped to increase the confidence of those who held Margate bank notes, deposited money with the bank, and those who supplied the bank with emergency funds in times of crisis. As the cornerstone of Cobb & Son's business activities, the brewery was substantial enough to be a guarantee of their ultimate solvency.

For the inhabitant of Margate in this period, Cobb & Son must have seemed to dominate the town. In terms of buildings alone, the brewery was a prominent feature, probably the largest building in the town. The Cobb family lived in Margate's largest private residence, while their numerous public houses must have underlined their strength. With the whole estate of the partners being liable for the satisfaction of debts, the overall wealth of the Cobbs was an important consideration for depositors and noteholders, and probably critical for those who gave

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1. W.F. Crick & J.E. Wadsworth, A Hundred Years of Joint Stock Banking, (1936), p. 13.
2. See below, 91-102.
3. Pressnell, op.cit., pp. 226-227.

assistance in times of crisis. An illustration of the confidence this wealth inspired is a comment made by a Mr. T. Abbott in 1794 on behalf of Mr. Taddy's executors. Cobb & Son had borrowed an unspecified sum on a bond from Mr. Taddy's executors, possibly to assist them through the crisis of 1793. When Cobb & Son failed to repay the loan promptly, Mr. Abbott sent them his demand, adding that, "to suppose Persons of your extensive Properties cannot [pay] if inclined is ridiculous."[1]

As was the case in most trades, there was an element of seasonality in brewing. Many of the expenses were concentrated in the Autumn when most of the buying of barley, malt and hops was done. Sales were generally higher in the Summer than in the Winter, a fluctuation that must have been exaggerated in a resort town like Margate, while from year to year, consumption was influenced by the trade cycle, a factor which also influenced the prosperity of the holiday trade. Nevertheless, compared with manufacturers who were subject to more seasonal demands and had to grant credit, brewers were paid in cash, had relatively steady sales and a favourable cash position. Consequently, they were less likely to need external finance through trade credit or short term loans from friends or banks to finance their working capital. With rising raw material prices during the Napoleonic Wars, however, many London brewers are known to have had to turn to such outside sources. Furthermore, the need to finance the debts of publicans, especially after the development of the tied trade, was another increasing burden.

A striking feature of the accounts of Cobb & Son is the annual 'General Cash Statement' which serves to emphasise how Cobbs' enterprises were merged into one. These were essentially bank balance sheets with items on the debit side including such entries as the amount of the

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1. KAO, U1453/B3/15/1, 17 April 1794.

circulation, the amount of deposits and interest receipts, while the credit side contained such items as the value of investments in bills, promissory notes and bonds. Included in these statements were the items of circulating capital of the brewery; the stock of beer, malt and hops and the balances due from publicans; while the wine and spirit trade was represented by the 'Balance and Stock on Liquor Account'.[1] It would appear that bank funds were being used as a cheap way of financing the working capital of the brewery. The brewery and wine merchant items together formed between 4 and 10 per cent of the total of credits in these accounts.

The debts of publicans were, in a strict sense, trade debts payable on demand, but few publicans were ever in a position where they did not have a debt outstanding to Cobb.[2] By constant renewal these trade debts effectively became long term loans. The publican of the Dolphin at Herne Bay, for instance, started 1808 with a debt of £77 owing to the brewer. It was not until June that this was reduced to just under £34, at which level it remained until November when it was reduced to just over £6. This publican continued to be in debt to Cobbs in the following years, the amount reaching as high as nearly £134 in August 1812.[3] Similarly, the landlord of one of the larger houses, the Queen's Arms in Margate, left outstanding balances of nearly £110 and £90 after the two payments he made for beer in 1808. In 1809, the outstanding balance crept up to just under £134.[4] In this way Cobbs must have been providing most of the working capital that their publicans required.

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1. LBA, A20 b/6. Bills acquired in the shipping agency business were included in the 'bills' item of these statements. See below, p.422-3.

2. KAO, U1453/B2/1/1-3.

3. Ibid., U1453/B2/1/1A.

4. Ibid.

Cobb & Son, Profits

| Year (Ending 30 September) | Brewery: Net Profit (£) | Brewery: Net Profit After Cumulative Deductions for Improvements and bad debts (£) | Bank: Net Profit (£) | Bank: Net Profit After Cumulative Deductions for Losses and bad debts (£) | Shipping Agency (£) |
|---|---|---|---|---|---|
| 1802 | 1,217* | | -420 | | - |
| 1803 | 4,677 | | 420 | | 400 |
| 1804 | 5,051 | | -1,080 | | 178 |
| 1805 | 3,865 | | -2,192 | | 300 |
| 1806 | 4,764 | | 996 | | *** |
| 1807 | 3,732 | | 1,534<br>656** | | - |
| 1808 | 1,450** | | 804 | | 220 |
| 1809 | | | 388 | | - |
| 1810 | | 11,365 | -159 | -2,634 | - |
| 1811 | | | -1,163 | | - |
| 1812 | | | -1,003 | | -450 |
| 1813 | 2,876 | | -1,545 | | |
| 1814 | 4,490 | | 1,087 | | |
| 1815 | 3,611 | | -530 | | |
| 1816 | 4,521 | | 1,573 | | 3,560 |
| 1817 | 5,253 | 26,304 | 829 | | |
| 1818 | 2,481 | | 2,013 | -12,413 | |
| 1819 | 1,458 | | 2,607 | | |
| 1820 | 3,576 | | 1,373 | | |
| 1821 | 6,296 | | 1,662 | | |
| 1822 | 5,318 | | 1,363 | | |
| 1823 | 5,269 | | 1,366 | | |
| 1824 | 5,499 | 5,260 | 1,166 | | 1,620 |
| 1825 | 2,345 | | 1,913 | 4,643 | |
| 1826 | 4,893 | | 1,171 | | |
| 1827 | 4,981 | | 1,887 | | 600 |
| 1828 | 6,698 | | 1,598 | | 31 |
| 1829 | 5,013 | | 1,909 | | 80 |
| 1830 | 4,516 | | 1,650 | | 68 |
| 1831 | 2,637 | | 1,620 | | -85 |
| 1832 | 4,117 | | 2,015 | | - |
| 1833 | 5,283 | | 1,497 | | - |
| 1834 | 6,418 | | 2,130 | | - |
| 1835 | 6,429 | | 1,798 | | - |
| 1836 | 7,863 | | 2,213 | | - |
| 1837 | 7,035 | | 2,291 | | - |
| 1838 | 6,422 | | 2,695 | | - |
| 1839 | 6,243 | | 2,535 | | - |
| 1840 | 6,309 | | 3,000 | | - |

* June–October 1802

** 1 October 1807 – 31 January 1808

*** Account not settled as anticipated heavy losses on two bills.

Source: LBA, A20 b/5; A20 b/12.

Further loans were given to publicans on the security of bonds, mortgages, cheques and promissory notes. In 1808 these amounted to £2,322, in 1836 to £7,866 and to £5,345 in 1841. The purpose of these loans is not generally known, but they may, in some cases, have been long outstanding trade debts, for which Cobbs decided to take a more formal security. In the case of George Creed, however, the landlord of the White Hart Hotel, who borrowed £5,000 on a bond in 1835, this was to enable him to purchase the freehold of the hotel. This was then paid off by fairly regular instalments until 1854.[1] Similarly, the disposal of the Deal brewery in 1812 was made easier by Cobbs' ability to offer mortgage facilities. The purchaser, a Mr. Hollams, was able to borrow £7,750 from Cobb in this way.[2]

The vagueness surrounding the financial relationship between the bank and the brewery is a factor of which account must be taken when looking at the profit figures of Cobb & Son. No record has been found of interest payments being made to the bank for the sum that was invested in the fixed capital of the brewery. This could have resulted in a significant redistribution of profits from the brewery to the bank. Furthermore, the figures below make no allowance for depreciation or for any salary to the partners as managers. They are, however, exclusive of bad debts, and represent the surplus remaining after a varying proportion of profits had been invested in new improvements. Taking these figures as they stand, they indicate that a return of less than 5 per cent, was rare for the brewery; 1818, 1819 and 1825 being the only years that fell below this level. In the case of the latter year this is explained by the purchase of new machinery, the cost of which was deducted from the profit and loss account. In many other years returns were close to, or

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1. LBA, A20 b/31; A20 b/12, p. 132.

exceeded 10 per cent, while the best return of over 15 per cent, was earned in 1836.

The Margate Bank rarely rivalled the brewery as a source of income in this period. Indeed, the accumulation of bad debts before 1822 was quite disastrous, resulting in losses between 1802 and 1808 of £86, £2,634 between 1808 and 1812, and £12,413 between 1812 and 1822. No more losses were incurred after that date, and profit levels showed a slow and faltering improvement for the rest of the 1820s and 1830s. Some of the reasons for this change of fortune will become apparent in the following chapters which will examine the progress of the Margate Bank in greater detail.

## CHAPTER 2

### Notes, Deposits and Economic Fluctuations

The country banks formed in the latter part of the eighteenth and the early nineteenth centuries were a response to the demand for three types of service; the need for a safe and efficient means of remittance, a demand for financial intermediaries to provide a link between savers and borrowers, and the need for a more satisfactory means of payment than that supplied by the coin of the realm. The coin of the realm was deficient in two respects. Discrepancies between the market prices of the precious metals and the official values of coins encouraged the melting down of coins so that they were always scarce, while those that were left were often clipped and below their official weight.[1] Bank of England notes were largely confined to London and its environs, although they were also important in Lanchashire. As a means of payment they were deficient for much of the eighteenth century since the lowest denomination before 1793 was £10, a figure that was far too high for most common transactions. Even when, after that date, the Bank issued £1, £2 and £5 notes, they were so susceptible to forgery that they were generally treated with suspicion in the provinces.[2]

The solution to this problem in industrial Lancashire and the West Riding of Yorkshire was a circulation of endorsed bills of exchange,

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1. T.S. Ashton, An Economic History of England: The 18th Century, (1955), pp. 167-177.

2. L.S. Pressnell, Country Banking in the Industrial Revolution, (1956) pp. 14-16; J. Clapham, The Bank of England, (1958), vol. II, pp. 2-3; A.D. MacKenzie, The Bank of England Note, (1953), pp. 47-78.

supplemented by Bank of England notes. Coins were mostly used for small transactions, although they were gradually displaced in part by small Bank of England notes. This system was dependent on the uniquely important position of the bill of exchange in these districts and the intimate trading and manufacturing relations of the area which made such a circulation acceptable.[1] In agricultural districts, bills were far less common and the preferred solution was the private issue of country bank notes. Reliable statistics for the total value of country bank note issues are not available until 1833 when they were past their period of greatest importance, but various estimates suggest that they were of a smaller volume than Bank of England notes before 1797, that they were close to the Bank of England's figures during the Suspension Period, and that they fell back to half the Bank of England's total in 1833.[2]

The problem of the susceptibility of Bank of England notes to forgery does appear to have been an important reason for the preference for local issues in many parts of the country. It was probably for this reason that travellers from Margate to Ostend were said to have preferred Cobbs' bank notes to those of the Bank of England.[3] The preference for local notes persisted well into the second half of the nineteenth century in many rural

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1. BPP, Minutes of Evidence, Select Committee on Resumption, HC, vol. III, 1819, pp. 164-5; Minutes of Evidence; Select Committee on Promissory Notes, HL, vol. VI, 1826-7, p. 186; H. Thornton, An Enquiry into the Nature and Effects of the Paper Credit of Great Britain, (1939 ed.), p. 94; T.S. Ashton, 'The Bill of Exchange and Private Banks in Lancashire, 1790-1830', in T.S. Ashton & R.S. Sayers, Papers in English Monetary History, (1953), pp. 37-49.

2. Pressnell, op.cit., pp. 159-160, 144-147, 180-189.

3. The Licensed Victuallers' Gazette, 4 December 1875, p. 395.

districts.

> "the people who get your own notes from your own hands, [explained George Rae in 1885] know at all events that they are genuine; but they are not judges of Bank of England notes. They have seen notes of the Bank of Elegance, which to their eyes looked every whit as good. When they receive at fairs or markets the notes of the great issuer, therefore, they not seldom prefer to have your notes instead; because they know where they are, then, and are freed from all qualms about forgeries."[1]

This is not to say that country bank notes were immune from the attentions of the forgers. Indeed, there is evidence of Margate bank notes having been forged on occasions. In 1801 there was a court case involving a forged Margate bank note and Cobbs were evidently anxious that their name should not appear in the press and bring their circulation into discredit. Fortunately, Cobbs were not mentioned in court, the prosecution resting on the alleged forgery of a Guildford bank note and "another note" so that anyone reading the report in The Times would believe the second note to be another of the Guildford bank. The clerk who obtained this secrecy received ample reward for his trouble.[2] A second instance occurred in 1817 when some £5 notes were forged. This time, some publicity could not be avoided. The laws against forgery were in wide disrepute because those who were found guilty were generally sentenced to death.[3] Cobbs brought a successful prosecution in this case, but tried to prevent the death penalty from being imposed. The second Francis Cobb made the

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1. G. Rae, The Country Banker, (7th ed., 1930), p. 158. See also, BPP, Minutes of Evidence, Secret Committee on the Bank Charter, vol. VI, 1831-32, Q.1161; Minutes of Evidence, Select Committee on the Bank Acts, vol. V, 1857-8, QQ.1327-1328.

2. From the collection of Mr. A.V. Parker, B3/15/1320; The Times, 8 December 1801, p. 36.

3. MacKenzie, op.cit., pp. 75-76.

following entry in his journal;

> "We have left no stone unturned to save their lives. My son was in town a fortnight trying every means, petitioning at Lord Sidmouth's office and elsewhere ... We returned home on the fatal day, and though it was not the Lord's will to spare their forfeited lives, we had the satisfaction of having spared no pains to save them...."[1]

For country bankers, the attractions of note issue were that it enhanced their ability to grant credit and provided a great source of profit. For the majority of country banks, the issue of notes was the most important source of profits in the early years. Any bank which preferred to issue Bank of England notes would have to face the problems arising from the delays, expense and danger of supplying such notes. These difficulties were not reduced until the Bank opened branches in the provinces from 1826.[2] Several bankers also mentioned the importance a well-conducted issue had on attracting business to a bank and generating confidence. Charles Forster, a banker of Walsall, claimed that a private note issue brought

> "a sort of éclat to the establishment; it answers the purpose of the address card of a tradesman; it makes the Bank notorious, and makes it a subject of conversation, and brings deposits and customers."[3]

Similarly, Vincent Stuckey claimed that

> "where a circulation has been well conducted for 50 years, and has been payable at all times, and, under all the storms we have had, it has added to the other business of the bank very much, it has had what may be called a moral effect."[4]

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1. W.F. Cobb, Memoir of the late Francis Cobb, (Maidstone, 1835), pp. 69-70; see also, KAO, U1453/B3/23/1.

2. Pressnell, op.cit., p. 156; BPP, Secret Committee on the Bank of England Charter, vol. VI, 1831-2, QQ.5579,1497.

3. Ibid., Q.1503.

4. Ibid., Minutes of Evidence, Select Committee on Banks of Issue, vol. V, 1841, Q.556.

The issue of notes was, for most banks, an important preliminary stage before the development of deposit banking. In many cases, it was not until the confidence of the public had been obtained by the successful issue of notes that they could be induced to leave their savings on deposit. That this was the normal progression was emphasised by Bagehot in the 1870s. For purely practical reasons it was easier to establish a circulation of notes than to attract deposits;

> "A paper circulation is begun by the banker, and requires no effort on the part of the public; on the contrary, it needs an effort of the public to be rid of notes once issued; but deposit banking cannot be begun by the banker, and requires a spontaneous and consistent effort in the community. And therefore paper issue is the natural prelude to deposit banking."[1]

Although this would appear to have been the path normally followed by English country banks, the speed with which deposit banking developed must have varied according to local and individual circumstances. Indeed, when Henry Thornton was discussing the origins of country banks he suggested that it was "not uncommon" for the principal shopkeeper in a town to receive deposits at interest before the general establishment of country banks,[2] while the practice of some scriveners and attorneys of receiving deposits would suggest that banks formed by members of these professions were likely to take deposits from the time of their foundation.[3]

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1. W. Bagehot, Lombard Street, (1873), p. 87.

2. H. Thornton, An Enquiry into the Nature and Effects of the Paper Credit of Great Britain, (1939 ed.), p. 169. Lawyers, shopkeepers and brewers were not the only people to take deposits. One interesting example is the landowning Coke family of Holkham who were taking small deposits in the middle of the eighteenth century. R.A.C. Parker, Coke of Norfolk, (1975), pp. 30-4.

3. Pressnell, op.cit., pp. 36-44.

Brewer-bankers were usually in a favourable position to start deposit banking at an early date. London porter brewers were drawn into informal deposit-banking through their trade, even when they did not establish themselves as bankers, by receiving deposits from publicans, the friendly societies that met in their public houses, their raw material suppliers, tradesmen and employees. Friends and relations were another group who are known to have deposited their savings with the porter brewers at a fixed rate of interest.[1] In country areas, the local brewer was commonly one of the wealthiest traders in the community, with a relatively secure trade, providing one of the basic necessities of life for which he mostly received cash

> "A brewer [writes Professor Mathias] did not need to tread the classic path from note-issue to deposit-banking. He had no need to establish his credit or inculcate other people's confidence through the growing familiarity they had with his notes before he became entrusted with their deposits ... the customers of the brewer turned banker knew that their banker's prosperity, his status in local society, alike with much of his liquidity, were already established through his activities as brewer."[2]

One other general point that needs to be mentioned with regard to brewer-bankers is that it is unlikely that any of them became note issuers to create a means of payment for their employees' wages. This was the case with many other industrialist-bankers, of whom there are several examples in the textile, iron, steel, copper and tin industries.[3] Brewing,

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1. P. Mathias, The Brewing Industry in England, (1959), pp. 277-280, 287-293.

2. Ibid., p. 330.

3. Pressnell, op.cit., pp. 14-36.

however, required only a relatively small labour force and labour costs were only a small proportion of total costs, while the predominance of cash sales ensured that there was enough cash to pay wages even in the most financially difficult periods.[1] Cobbs' expenditure on wages and salaries in their brewing and malting business came to no more than £927 in 1823, while total costs came to just under £12,353.[2] On the other side of the balance sheet, cash receipts for sales of beer, yeast and grain amounted to more than £15,706, with a further £1,686 being received for 'petty receipts', including £1,151.13s. for publicans' rent, and £157.10s for old hops returned to Thackrah & Co., the hop merchants.[3]

Evidence exists of Cobb & Son having received deposits from a very early date, perhaps suggesting that they were acting as deposit-bankers from the time of the establishment of the Margate Bank in 1785. The earliest evidence of their having received deposits at interest dates from 1792.[4] The existence of demand deposits, or current accounts, in the early period is suggested by the correspondence of one customer, Henry Lloyd, in 1791. A letter of August of that year asks for "credit for the Inclosed [presumably a bill or a draft] which they need not doubt of being duly honoured".[5] Earlier in the year, in March, he asked for a "_Check_ on _Demand_".[6] In May he asked for cheques for £17.10s., and £25.5s.[7]

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1. Mathias, _The Brewing Industry..._, pp. 329-330.
2. _LBA_, A20 b/12, pp. 37-38.
3. _Ibid_.
4. _KAO_, U1453/B3/1/14.
5. _Ibid_., U1453/B3/15/1200, 30 August 1791.
6. _Ibid_., 18 March 1791.
7. _Ibid_., 2 May 1791.

References to cheques also appear in the correspondence of other local banks. On 28 June 1797, for instance, the Sandwich bank of Harvey & Co. returned three cheques on Cobb & Son as well as local Margate notes for payments.[1]

When looking at country banks in general, most authorities are of the opinion that deposit banking was in a backward state in the provinces in the eighteenth and early nineteenth centuries and that it was not until the 1830s that it reached substantial proportions.[2] This view is based on Feavearyear's assertion that the scarcity of cheques in the provinces before the middle of the nineteenth century delayed the growth of deposit banking.[3] The principal factor discouraging the widespread use of cheques is to be found in the Stamp Acts. In 1783, duties were imposed on all cheques drawn at a distance of ten miles from the bank concerned. From 1791, all order cheques became subject to duty when the exemption was restricted to the more risky bearer cheques. Duties were subsequently increased, and not relaxed until 1853.[4] The problem of assuring the recipient of a cheque that it would be honoured was also a factor inhibiting the widespread use of cheques. In 1836, Stuckey explained that it was customary for his bank to guarantee a cheque by writing 'This will be honoured when presented' on the back.[5] In 1857, William Rodwell,

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1. KAO, U1453/B3/14/12, 28 June 1797.

2. R.E. Cameron, Banking in the early Stages of Industrialization, (1967), p. 26; W.F. Crick & J.E. Wadsworth, A Hundred Years of Joint Stock Banking, (3rd ed., 1958), p. 11; L.S. Pressnell, Country Banking in the Industrial Revolution, (1956), pp. 162-170.

3. A.E. Feavearyear, The Pound Sterling, (1931), pp. 289-290.

4. Pressnell, op.cit., p. 168; L.S. Pressnell, The Social History of the Cheque, (unpublished typescript), pp. 7-9. In 1828 the exemption limit was extended to fifteen miles.

5. BPP, Minutes of Evidence, Select Committee on Joint Stock Banks, vol. IX, 1836, Q.1371.

partner in the Ipswich bank of Bacon, Cobbold & Co. said that cheques on country banks were looked on "with some doubt" by London banks.[1]

This view of deposit banking in the early nineteenth century has not been universally accepted. Based on, the admittedly scanty evidence of bank deposits, Adie concluded that country bank deposits exceeded note issues between 1821 and 1844.[2] The evidence of the Cobb records lends further support for the early development of deposit banking. Furthermore, the records show that deposit banking was not dependent on the cheque system, since alternative methods of transferring deposits were used, the most common ways being by a draft on the country bankers' London agent, or by the arrangement of a credit at a correspondent bank. Rodwell even claimed that the latter method was easier than writing a cheque.[3] As noted above, cheques are mentioned in the Cobb records from as early as 1791. It appears that early ones were drawn at the bank on the specific request of customers.[4] The use of cheques came closer to the modern practice some time in the early nineteenth century. Cheque books were issued to customers at least as early as 1818.[5] The Cobb collection contains a large

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1. BPP, Minutes of evidence, Select Committee on the Bank Acts, vol. V, 1857-8, Q.1374. There is evidence, however, of country bank cheques being used in the Smithfield meat trade, and cleared by London banks in 1828. See, BPP, Minutes of Evidence, Select Committee on Smithfield Market, 1828, vol. VIII, pp. 205-6, 211.

2. D.K. Adie, 'English Bank Deposits before 1844, Economic History Review, 2nd series, vol. 23, 1970, p. 291; See also, E. Wood, English Theories of Central Banking Control, 1819-1858, (1939), pp. 21-22.

3. BPP, Minutes of Evidence, Select Committee on the Bank Acts, vol. V, 1857-8, QQ.1373-1374.

4. KAO, U1453/B3/15/1200, 30 August 1791, 2 May 1791, 18 March 1791.

5. Ibid., U1453/B3/15/193, 8 June 1818.

number of bearer cheques drawn by the Margate and London New Steam Packet Company drawn in the 1830s.[1] Nevertheless, the general impression is that customers who wanted to make a payment at some distant place would more commonly ask Cobbs to arrange for a credit to be opened at a nearby country bank, or for a draft on Esdailes. This was a safer method of remittance, both for those receiving money and the agents through whom it passed.

The earliest year in which it is possible to compare the relative importance of notes and deposits is 1808. In the February of that year, the circulation formed the largest single item, although the two forms of deposit exceeded the value of notes when added together. The note circulation amounted to £33,927, interest receipts to £23,021 and 'Balances due to Bank Customers' to £20,309.[2] After 1808, the highest recorded figure for the note circulation was for December 1818 when it reached an average of £38,679 for that month.[3] In 1808, Cobbs, in common with other issuing country banks, were obliged to withdraw their existing circulation and issue a new one. Some of the notes of the pre-1808 circulation, however, remained outstanding, and about £500 should be added to the above figure to account for this element.[4] From this time onwards the long term trend for Cobbs' note circulation was one of decline. The last major

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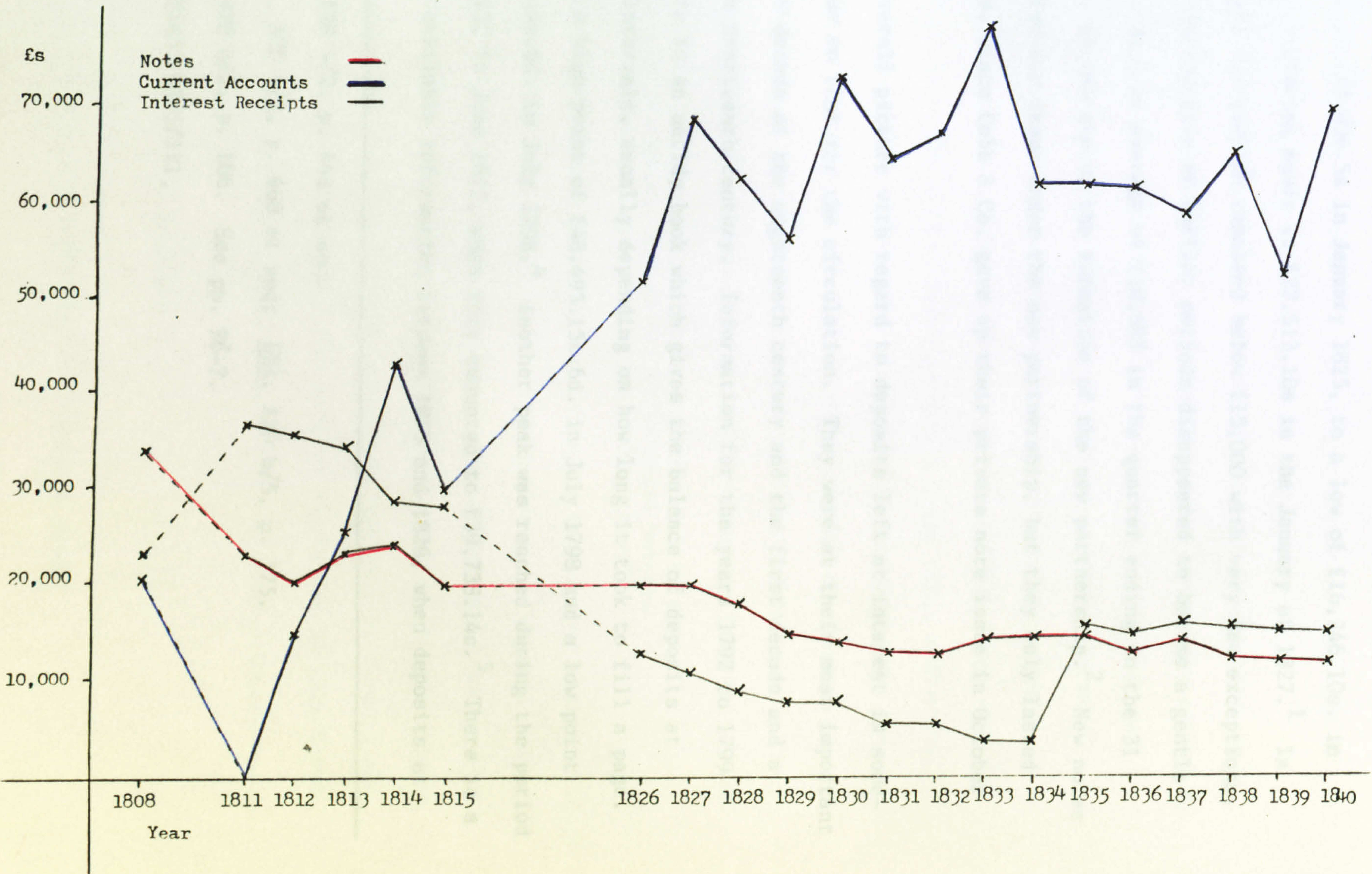
1. KAO, U1453/B3/13/1.
2. LBA, A20 b/12.
3. Ibid., A20 b/2, p. 468.
4. Ibid., A20 b/12. In March 1815, £544.12s. of the 'old circulation' remained outstanding, and £488.8s. in 1826.



Cobb & Son, Notes, Current Accounts & Interest Receipts
Notes
Current Accounts
Interest Receipts
£s
70,000
60,000
50,000
40,000
30,000
20,000
10,000
1808
1811
1812
1813
1814
1815
1826
1827
1828
1829
1830
1831
1832
1833
1834
1835
1836
1837
1838
1839
1840
Year

fluctuation in the note issue came in the crisis of 1825-6 when it sank from a peak of £28,906.5s in January 1825, to a low of £16,246.10s. in June 1826, recovering again to £22,513.10s in the January of 1827.[1] In the 1830s the circulation remained below £15,000 with very few exceptions. The large fluctuations of earlier periods disappeared to become a gentle decline to reach an average of £10,805 in the quarter ending on the 31 March 1841, on the eve of the formation of the new partnership.[2] New notes were prepared for issue under the new partnership, but they only lasted three years, since Cobb & Co. gave up their private note issue in October 1844.[3]

The overall picture with regard to deposits left at interest is somewhat similar to that for the circulation. They were at their most important in the last decade of the eighteenth century and the first decade and a half of the nineteenth century. Information for the years 1792 to 1799 is available in an untidy book which gives the balance of deposits at irregular intervals, usually depending on how long it took to fill a page. This shows a high point of £48,495.15s.6d. in July 1798 and a low point of £26,334.4s.6d. in July 1798.[4] Another peak was reached during the period 1811 to 1815, in June 1812, when they amounted to £39,738.14s.[5] There is a gap in the available information between 1815 and 1826, when deposits at

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1. LBA, A20 b/2, p. 468 et seq.
2. Ibid., A20 b/2, p. 468 et seq; LBA, A20 b/5, p. 175.
3. LBA, A20 b/2, p. 106. See pp. 76-7.
4. KAO, U1453/B3/1/111,
5. Ibid.

interest had sunk to the level of £12,276.17s. They sank to a mere £3,632.12s. in 1834, but recovered in the following year to just over £15,000, and remained around that level for the rest of the decade.

The rules Cobbs applied to the payment of interest on deposits are difficult to discern. It might be expected that rates would vary according to the size of a deposit, the length of time for which it was left and the period of notice required. In 1792, 3 per cent. was the rate most commonly allowed, although some deposits, for no immediately apparent reason, received 4 per cent. In the second quarter of 1793, 4 per cent. became more common, with some accounts receiving 5 per cent., reflecting the rise in market rates of interest, although some deposits still received only 3 per cent.[1] The variation in rates suggests that the terms of each deposit were arranged specifically with each customer. This was the case in Liverpool in 1826, as was explained by John Gladstone. Interest varied

> "On ... deposits, according as they may be more or less permanent, and as may be arranged between him [the banker] and the parties making them."[2]

Interest would be paid at a lower rate on the deposits of assignees in bankruptcy as they were likely to be withdrawn at short notice.[3] One customer in 1793 certainly demanded a higher rate from Cobbs. Noting that money had been worth 5 per cent. in the previous six months, he gave notice that his sisters would withdraw their deposits unless they received 5 per cent. from the following Christmas.[4] The general impression is that Cobbs

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1. KAO, U1453/B3/1/111.
2. Quoted in, Pressnell, op.cit., p. 255.
3. Ibid., pp. 255-6.
4. Parker Collection, U1453/B3/15/710, 5 October 1810.

Note Issue, Interest Receipts and Customers' Balances as a percentage of Net Liabilities to the Public

| Year | Net Liabilities to the Public £s | Notes % | Interest Receipts % | Customers' Balances % |
|---|---|---|---|---|
| 1808 | 77,257 | 43.9 | 29.8 | 26.3 |
| 1811 | 59,574 | 38.4 | 61.5 | 0.0 |
| 1812 | 70,098 | 28.4 | 50.6 | 20.9 |
| 1813 | 82,504 | 27.8 | 41.6 | 30.6 |
| 1814 | 95,417 | 25.1 | 30.0 | 44.9 |
| 1815 | 77,338 | 25.3 | 36.4 | 38.2 |
| 1826 | 83,484 | 23.3 | 14.7 | 61.9 |
| 1827 | 98,873 | 19.8 | 11.0 | 69.2 |
| 1828 | 88,139 | 19.9 | 9.6 | 70.4 |
| 1829 | 77,266 | 18.4 | 9.6 | 72.0 |
| 1830 | 93,789 | 14.3 | 8.2 | 77.5 |
| 1831 | 82,049 | 15.3 | 6.5 | 78.2 |
| 1832 | 84,414 | 14.6 | 6.2 | 79.2 |
| 1833 | 95,649 | 14.7 | 3.9 | 81.4 |
| 1834 | 79,099 | 17.9 | 4.6 | 77.5 |
| 1835 | 90,738 | 15.7 | 16.7 | 67.7 |
| 1836 | 88,761 | 14.3 | 16.7 | 69.1 |
| 1837 | 88,221 | 15.9 | 18.0 | 66.1 |
| 1838 | 91,995 | 13.2 | 16.7 | 70.1 |
| 1839 | 79,086 | 15.1 | 18.9 | 66.0 |
| 1840 | 96,163 | 12.4 | 15.4 | 72.2 |

Source: LBA, A20 b/12, General Cash Statements

paid a variety of rates at any one time according to the circumstances of a deposit and that the prevalence of higher rates varied with the market rate of interest.

While interest receipts declined, non-interest bearing deposits rose substantially. From their level in 1808 they seem to have disappeared altogether in the financial squeeze of 1811. Thereafter, they increased rapidly to over £42,833 in September 1814. After a check in 1815 they rose to much greater heights in the late 1820s and the 1830s. In the depressed year of 1826 they were over £51,744. For most of the remainder of the period they were well above this level, reaching a peak of £77,897 in 1833, falling back to just over £52,000 in the crisis year of 1839. In the early nineteenth century, if not before, the greatest fluctuations were experienced by Cobbs in the levels of these non-interest bearing deposits. In terms of their proportion of net liabilities to the public, demand deposits increased from an average of 26.8 per cent. in the years 1808, and 1811 to 1815, to 70.2 per cent. between 1826 and 1830, and 72.75 per cent. between 1831 and 1840. The figures for notes were 31.5 per cent., 13.9 per cent. and 14.9 per cent.; while for interest receipts they were 41.6 per cent., 10.6 per cent., and 12.4 per cent.[1] Comparison with other banks is not easy because of the shortage of data, but a comparison with Feavearyear's data, and the information collected from individual banks by Professor Pressnell, suggests that the Margate Bank was among the earlier of the country banks to develop deposit banking on a substantial scale and reduce the importance of its note circulation.[2]

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1. LBA, A20 b/12, General Cash Statements.

2. Feavearyear, op.cit., p. 297; Pressnell, op.cit., pp. 164-165.

Two Notes of The Margate Bank

No. T3108 MARGATE BANK £10

On demand I Promise to pay No. T3108

or Bearer TEN POUNDS here or at

Messrs. Barnett, Hoares & Co. Bankers, London.

Value received — MARGATE, 18

Entd. For Cobb & Compy.

TEN

No. U3734 MARGATE BANK £5

On demand I Promise to pay No. U3734 or Bearer

FIVE POUNDS, here or at Messrs. Barnett, Hoares & Co.

Bankers, London Value recd. MARGATE 18

Entd. For Cobb & Compy.

Five

These notes were printed at some time between 1841 & 1844 and are reproduced here at 3/4 the original size.

Margate Public Library, Local Collection, L3967.

Private note circulations were declining well before the provisions of the Bank Charter Act of 1844 put a limit upon their growth and ensured their ultimate liquidation. After 1826, the Bank of England had a deliberate policy of discouraging private issues, but there were other factors leading to a diminution of their importance. From the point of view of the public the advantage of deposit banking over the holding of notes was greater security. For Bagehot, this was the obvious reason why banks of issue gave way to banks of deposit.

> "When a private person begins to possess a great heap of bank-notes, it will soon strike him that he is trusting the banker very much, and that in return he is getting nothing. He runs the risk of loss and robbery just as if he were hoarding coin. He would run no more risk by the failure of the bank if he made a deposit there, and he would be free from the risk of keeping the cash. No doubt it takes time before even this simple reasoning is understood by uneducated minds ... But in the end common sense conquers. The circulation of bank-notes decreases, and the deposit of money with the banker increases."[1]

There is also reason to believe that the issue of notes was becoming less profitable in the years after the Napoleonic Wars, while the scope for profitable deposit banking was increasing. The evidence of the country bankers to various Parliamentary investigations suggests that few had any more than a rough idea of the cost of their issues. These costs included the cost of paper and printing, the wages of clerks employed in numbering, the cost of stamps, of maintaining deposits in London and the country for the payment of notes, and commission to the London agent.[2] There is not much available information on these costs, but there are some indications

1. Bagehot, op.cit., pp. 87-88.

2. BPP, Minutes of Evidence, Select Committee on Banks of Issue, vol. V, 1841, QQ.570,1539.

that they may have failed to fall in line with the general fall in prices. The price of paper may well have fallen, but it is unlikely that printing costs followed. The wages of printers fell only slightly after the Napoleonic Wars, while the attentions of the forgers led to a demand for more elaborate printing techniques.[1] The wages of clerks continued to increase after the wars.[2] In the Margate Bank, the bill for salaries and gifts to clerks increased from £358 in 1823 to £718 in 1840.[3]

That country bankers should be uncertain as to the cost of circulating notes is not so surprising when it is considered that it greatly varied with the length of time they could be expected to remain in circulation, which in turn varied according to the state of the economy and the purposes for which notes were used. In 1832, Stuckey estimated the cost of his private note issue to amount to 1½ per cent. Beckett of the Leeds Bank said that his costs came to between 1 and 1½ per cent., although he was unclear as to the cost of maintaining bullion and Bank of England notes as a cash reserve for the payment of notes.[4] Wilkins, of the Brecon and Merthyr bank, however, was unable to say what his circulation had cost, but he thought that his profit had amounted to nearly the whole 5 per cent. that he was able to obtain by lending the capital created.[5] In 1841, Rodwell of the Ipswich bank, suggested a figure of between 1 and 2 per

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1. D.C. Coleman, The British Paper Industry, 1495-1860, (1958), pp. 213-4; A.L. Bowley, Wages in the United Kingdom in the Nineteenth Century, (Cambridge, 1900), pp. 71-76.

2. P.H. Lindert & J.G. Williamson, 'English Workers' living Standards During the Industrial Revolution: A New Look', Economic History Review, 2nd series, vol. 36, 1983, pp. 1-25.

3. LBA, A20 b/12.

4. BPP, Minutes of Evidence, Secret Committee on the Bank Charter, vol. VI, 1831-2, QQ.1111,1442-4.

5. Ibid., QQ.1797-1798.

cent., Stuckey, 2 per cent., and Wright of Nottingham, also 2 per cent.[1] James, who was manager of the Manchester and Salford joint stock bank was not convinced that the private issue of notes was very profitable. It was ten years since he had last issued notes, when he was the manager of a joint stock bank in Birmingham. He thought that the cost of issue was somewhere between 1½ and 3 per cent., although he could not remember exactly.[2]

Stuckey claimed, just as Wilkins had in 1832, that he was able to earn 5 per cent. on the capital created from his note circulation.[3] This is a surprising statement. Such returns may have been easily obtained during the Napoleonic Wars, and even in the subsequent decades on advances to local borrowers, but it was a principle of Stuckey's, and most other prudent bankers, to invest a good proportion of their funds in readily convertible securities to be prepared to pay off any sudden demand for cash. In 1832, he claimed,

> "I have available securities always ready to get in a day to pay the amount of the whole circulation."[4]

The yield on such securities, bills of exchange, or, as Stuckey preferred, Government securities, was below 5 per cent. for most of the period after the Napoleonic Wars. Only in 1839, 1840 and 1841 did the rate on first class bills discounted at Overend & Gurney approach 5 per cent.,

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1. BPP, Select Committee on Banks of Issue, vol. V, 1841 QQ.733,555,1596-8.

2. Ibid., QQ. 1538-9541.

3. Ibid., Q.555.

4. Ibid., Secret Committee on the Bank Charter, vol. VI, 1831-2, Q. 1011.

while the yield on consols did not reach such a level again in the nineteenth century after 1816.[1]

One response of note-issuing bankers to this narrowing of their profit margins was to be more selective in their issue of notes. The cost of issue varied according to length of time the notes stayed in circulation, the least profitable issue being to a customer who immediately presented them to another bank for payment. This point was brought out by Rae who advised against issuing notes to anyone who was likely to

> "cut them in halves, and dispatch them by the first post as a remittance to London or somewhere else. The notes, thus mutilated, will go to your debit at your London agents, where they are redeemable, possibly next day, and you will have to pay a commission for their redemption ... [As well as the cost of postage] your junior apprentice will have the hateful task of re-uniting the severed halves with gum and plaster. It is needless to observe, that the issue of your own notes under these conditions, would be more fertile of loss and irritation than of profit or satisfaction."[2]

To avoid such expense, several bankers said that they had restricted the issue of notes where they thought they would be paid into another bank or remitted to London.[3] In 1841, Stuckey explained that if a farmer called in to withdraw a deposit, he would be asked how he intended to use the money. If he were going to make a payment out of the locality, for instance, to purchase stock at Exeter, then he would be advised to take a cheque for the amount rather than notes. A second way of "saving the

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1. B.R. Mitchell & P. Deane, Abstract of British Historical Statistics, (1962), pp. 455, 460.

2. Rae, op.cit., p. 157.

3. BPP, Minutes of Evidence, Secret Committee on the Bank Charter, vol. VI, 1831-32, QQ.1463-1465; Ibid., Select Committee on Banks of Issue, vol. V, 1841, Q.456; Ibid., Select Committee on the Bank Acts, vol. V, 1857-8, QQ.1361-1369.

circulation" that Stuckey had recently adopted was the opening of accounts with other banks so that funds could be remitted by means of book entries.[1] Similarly, Bacon, Cobbold & Co. of Ipswich had economised on the issue of notes by the late 1850s. The practice of sending clerks to markets and fairs to issue notes by paying cheques given on other banks had been abandoned, and the usual way of making loans was to authorise customers to draw cheques up to the appropriate amount, which would then be usually presented at other banks rather than presented for payment in notes. William Rodwell, one of the partners explained; "They [the country banks of his district] carefully abstain from issuing more notes than the ordinary requirements of their customers demand."[2] The issue of notes came to be restricted to those occasions where the notes were likely to stay out for longer periods; to regular customers who used them for local payments, to settle accounts or pay rents. For Stuckey, this took the form of small loans to farmers, "because [he explained] I call that an absorbant circulation."[3]

At the same time, the fall in interest rates was likely to lead to an increase in the profitability of deposit banking to the extent that the public became more willing to deposit money without interest. As we have seen, this was a marked feature of the Margate Bank in this period. The speed with which this happened might be expected to vary according to local circumstances. Certainly, interest bearing deposits and note

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1. BPP., Select Committee on Banks of Issue, vol. V, 1841, Q.456.

2. Ibid., Select Committee on the Bank Acts, vol. V, 1857-8, QQ.1362-9.

3. Ibid., Select Committee on Banks of Issue, vol. V, 1841, Q.473; Rae, op.cit., pp. 156-158.

issue remained far more important to a later date in Stuckey's primarily agricultural bank than they did in the Margate Bank. In 1832, he was paying interest on one-third of his deposits, while in 1841 he claimed that the amount of his deposits was greater than his circulation, "though not in a material degree", although a few minutes later he claimed they were "half as much again" as the circulation".[1] Since he had to pay interest on a "great part" of the deposits, he attributed as much as half of his profits to the circulation.[2] Similarly, the note issues of Gillett & Tawney of Banbury accounted for as much as 54 per cent of their total liabilities to the public, while the figure for Barnard & Co. of Bedford was 27 per cent.[3]

It might at first be thought that these were banks in similar situations to the Margate bank. They were all long-established, very respectable banks located in small towns. If so, why should the Margate bank have moved towards deposits banking to a greater extent at an earlier date? This is not a question that can be answered with any certainty but one factor might be Margate's close links with London. Geographical proximity to London, the availability of cheap water transport, trade with the capital, and the development of Margate as a resort attracting primarily metropolitan customers must have meant that metropolitan influences were particularly strong. Some of the genteel residents of

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1. BPP, Minutes of Evidence, Secret Committee on the Bank Charter, vol. VI, 1831-2, Q.972; Ibid., Select Committee on Banks of Issue, vol. V, 1841, QQ.558-9,575.

2. Ibid., QQ.561,571-3.

3. Pressnell, op.cit., p. 165.

the area had their origins in London while some leading London shopkeepers set up businesses in the town.[1] Such links were likely to accelerate the adoption of some of the banking habits of the capital. They were likely to lead to a greater familiarity with Bank of England notes and reduce the prejudice in favour of local notes. They were also likely to encourage the growth of non-interest bearing drawing deposits since these were already firmly established in London.

Government legislation and the policy of the Bank of England had a part to play in the declining importance of country bank notes before 1844. The Bank Notes Act of 1826 stopped the stamping of new notes of a lower denomination than £5 and gave the period until 5 April 1829 for the liquidation of small notes already outstanding.[2] Stuckey claimed that this had reduced his circulation by one quarter, and John Langhorn of Berwick-on-Tweed claimed that in 1814, £1 notes had amounted to no more than one quarter of his £5 notes. Both claimed that small notes were unprofitable, one reason being the stamp duties, which were a heavier burden on £1 notes than notes of larger denominations. They were also troublesome and a source of uncertainty. Langhorn stated, "I have no wish to issue £1 notes and I should prefer not to issue £1 notes".[3] Banks in industrial regions where country notes were used in the payment of wages, such as the Wirksworth and Walsall banks, may have issued a high

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1. J. Whyman, Aspects of Holidaymaking and Resort Development Within the Isle of Thanet, with particular reference to Margate, c.1736 to c.1840, (Kent Ph.D., 1980), vol. II, p. 418.

2. Clapham, op.cit., pp. 106-7; Feavearyear, op.cit., p. 224.

3. BPP, Minutes of Evidence, 2nd Report of the Select Committee on the State of Agriculture, vol. VIII, 1836, QQ.7667,7638,7735-7739; Ibid., Secret Committee on the Bank Charter, vol. VI, 1831-2, QQ.1094-1101.

proportion of small notes, but for most banks, £1 notes can rarely have reached anywhere near 50 per cent. of the total value of an issue.[1] For the Margate Bank, £1 notes appear to have accounted for about a third of the total stock of notes in 1823. Since they circulated more rapidly and wore out more quickly than notes of larger denominations, they probably accounted for a smaller proportion of the notes in circulation.[2]

From 1826, the Bank of England was encouraging banks to give up their private issues by offering extra facilities and advantageous terms to non-issuing banks. The Bank was prepared to discount at a lower rate for non-issuing banks, it offered them advances and, in June 1829, initiated a system of quarterly advances to non-issuing banks to counteract the effect of the quarterly payments on the revenue account into the Bank accompanied by the closure of the transfer books for government stock.[3] Within a few years the Bank made considerable progress in substituting its own notes for private notes in Birmingham and the Black Country, and in displacing the circulating bill of exchange in Lancashire.[4] Cobb & Son ceased issuing their own notes on 7 October 1844.[5] Under the Bank Charter Act of that year, issuing bankers were entitled to maintain their circulations, within the guidelines of the Act, provided they gave notice to the commissioners of stamps and taxes within one month of the passing of the

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1. BPP, loc.cit., QQ.1472-1476; Pressnell, op.cit., pp. 147-151.

2. LBA, A20 b/2, pp. 421-424.

3. M. Collins, The Bank of England and the Liverpool Money Market, 1825-1850, (London Ph.D., 1972), pp. 35-52; BPP, Minutes of Evidence, Secret Committee on the Bank Charter, vol. VI, 1831-2, QQ.1467,1498-1499,5596-5598.

4. Clapham, op.cit., vol. II, p. 120.

5. LBA, A20 b/2, p. 106.

Act. Cobbs evidently decided not to apply to continue the right to issue.[1] The reasons for the decision are not stated in the surviving evidence, and there is no reason to believe that it was a direct consequence of the provisions of the Act. It is, however, a further indicator of the marginal importance of the issue of notes to the Margate Bank by the late 1830s and the early 1840s.

The Cobb records contain various types of accounts from which it is possible to construct lists of depositors at different periods. For deposits bearing interest lists have been constructed for 1796 and 1808, and three lists for deposits without interest for the years 1802, 1808 and 1835-6. It has not, however, been possible to do a complete occupational analysis since Cobbs never recorded the occupations of their customers. The Bank's correspondence and other items within the collection can sometimes give further clues, but for the majority of cases the only possible sources of information are the trade directories. Many names do not appear in the directories, but even where they can be found there is no certainty that customers have been correctly identified. This is made particularly clear when two or more entries appear under one name. It would not be uncommon for one person to practise more than one trade in this period, but the possibility of two or more people sharing the same name is obvious, and made even more likely by the custom of passing the same Christian names down from generation to generation.

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1. Chitty's Statutes, (5th ed., 1894), vol. 1, Bank Charter Act, 1844, s.13.

The correspondence offers only limited assistance in this respect since it only exists for a minority of customers. Some may have been lost, but the main reason is probably that most business was done face to face with little need for correspondence. A further problem with the trade directories is the variation in their coverage of trades and occupations, and the geographical areas they cover. For instance, while Pigot & Co.'s Directory for 1833-4 lists nearly one hundred people among the 'Gentry and Clergy' of Margate, their Directory for 1823-4 has no such category at all.[1] Farmers are a particular problem in this respect, for although they are included in directories such as the Universal British Directory of 1796, Holden's Directory for 1811 and Kelly's Directory of Kent for 1845, they are excluded from those directories which restrict themselves more closely to the towns, such as Pigot & Co., and Finch's Kent Directory of 1803.[2] Even those directories which include some farmers often only include those in the immediate vicinity of the towns. It is consequently impossible to make any satisfactory judgement as to the spread of the banking habit in this period based on the Cobb records alone.

It is possible, though, to supplement the information from the Cobb records with the more complete information available for two neighbouring banks, Austen & Co. of Ramsgate, and May, Wyborn and Mercer of Deal. Both these banks were forced into bankruptcy proceedings, the former collapsing in 1840, and the latter in 1825. Creditors were expected to give their occupations when making a claim, and, with a very few

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1. Pigot & Co., Directory for 1823-4, pp. 402-4; Pigot & Co., Directory for 1833-4, p. 850.

2. Ibid., Holden's Directory for 1811; Kelly's Directory of Kent for 1845, pp. 326-330; Finch's Kent Directory, pp. 127-8. For a general discussion of the directories of the period see, J. Norton, Guide to the National and Provincial Directories of England and Wales, Excluding London, Before 1856, (1950), pp. 1-24.

exceptions, most depositors and note holders appear to have done so. There must still, however, be some doubts as to the accuracy of the results in reflecting either deposits or note-holding under normal conditions. Many customers may have withdrawn their deposits or presented their notes for payment if the bankruptcy was preceded by a panic. Those persons who were remotest from the bank, the rural gentry, farmers and London creditors, might then be over-represented. Furthermore, it was common for the principal inhabitants of a town to agree to support a bank in times of financial panic. Such persons might also, consequently, be over-represented.

Existing studies of the customers of country banks suggest that the list of occupations of depositors was invariably wide, although the balance varied according to the local economy. This variety was mentioned by Professor Sayers;

> "A bank might depend largely on the very few large accounts of a handful of local landowners and manufacturers, but the complete list of customers would show a wide variety of occupations and of turnover of business. Particularly the established 'craftsman-tradesman', the emphasis of whose business might be moving either towards manufacturing, or in the other direction towards merchanting or retailing, was prominent in the list of customers."[1]

The 'craftsman-tradesman' was a prominent customer at Lloyds' bank of Birmingham in 1770 and in a Southampton bank at the turn of the eighteenth and nineteenth centuries. Of the 44 customers, only a relatively small proportion came from different backgrounds; there were only six classified as 'gentry', and eight as professional.[2] Sayers also

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1. R.S. Sayers, Lloyds Bank in the History of English Banking, (1957), p. 89.

2. Ibid., pp. 89-90.

noted the frequency with which women's names appeared, suggesting that they were perhaps the widows or daughters of the craftsmen, tradesmen and retailers who generally had more active accounts at the banks.[1] The Banbury Bank of R & C Tawney had more representatives of the agricultural interest among its customers. Of the 228 customers of 1822 who had either loans or deposits, there were 29 members of the landed gentry and 47 farmers. Of the rest, there were 45 traders, 27 clergymen, 15 from the professional classes and 22 women.[2] Many of the non-agricultural customers of this bank depended on the agricultural interest for much of their prosperity. Agricultural customers were prominent at the Nottingham Bank of Smiths in the middle of the eighteenth century before the development of the coal-mining or textile industries took place on any great scale in the area. The accounts of substantial landowners formed the bank's most important single group of customers, while the hosiers and framework-knitters formed the second most important. The most important single account at the bank was that of the Sheffield ironmaster, John Roebuck.[3]

The three Kent banks, Cobbs, Austens and May, Wyborn & Mercer share some similarities with the above banks. It is difficult to come to firm conclusions in the case of Cobb because of the high proportion, nearly a third for demand deposits and higher for interest receipts, of customers for whom it has proved impossible to find an occupation. Retailers,

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1. R.S. Sayers, op.cit., p. 90.

2. A.M. Taylor, Gilletts, Bankers at Banbury and Oxford, (1964), pp. 24-28.

3. J.A.S.L. Leighton-Boyce, Smiths the Bankers, 1658-1958, (1958), pp. 34-43.

tradesmen and craftsmen were numerous in each of the banks as were the accounts of women. The most significant single group in the Deal and the Ramsgate banks was that of the Gentry. These were also quite numerous at the Margate Bank in 1835, although their general absence from the trade directories for the earlier dates means that the figures for 1802 and 1808 are unlikely to be an accurate guide to their importance. For the Deal bank, gentlemen accounted for as much as 54 per cent. of the demand deposits in value, and nearly 30 per cent. of the much greater interest-bearing deposits. At Ramsgate they were the most numerous category of depositor and accounted for 24.2 per cent. of the value of the deposits claimed by the first 137 depositors. In Margate, they formed the second most numerous category, after the much more easily identified women, in 1835-6. Only a few have been identified for the earlier years, but this is probably due to the shortcomings of the directories.

The majority of the customers describing themselves as 'gentry' had addresses in the towns. Of the gentry at Cobbs' bank in 1835-6, only one, Robert Garrett of Updown Farm, had an obvious direct connection with agriculture.[1] Of the forty gentry customers at the Ramsgate Bank in 1840, only nine gave addresses other than Ramsgate, Broadstairs, London or Bath. Even of the non-urban depositors, at least one, Moses Montefiore of St. Lawrence, is known to have made his fortune in the City of London. Even in Deal, a town noted for its rough and degenerate character in the years following the Napoleonic Wars, most of the gentry customers lived in the town. Of the twenty-four customers with 'banking accounts", only

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1. See pp.308-11 below.

six gave addresses outside Deal, and four of those were in Walmer. Similarly, of the twenty-four 'deposit accounts' there were again only six accounts from outside Deal, of which one was from Walmer.

Most of the 'gentry' accounts at these three banks were for urban dwellers with no obvious direct link with agriculture. They were most probably part of the growing ranks of what Professor Everitt has called the

> "pseudo-gentry ... that class of leisured and predominantly urban families, who by their manner of life, were commonly regarded as gentry, though they were not supported by a landed estate."[1]

This class was rising to prominence in many parts as early as the latter half of the seventeenth century. In some cases, their economic roots reached back into trade. Some might have inherited their fortunes from fathers in trade while others might have been sufficiently successful in business to retire from trade themselves. One of the gentry customers at the Margate bank in 1835, John Brooman, may well have been related to, or the same John Brooman who had been a draper in Margate, a partner in the Isle of Thanet Bank and the Theatre Royal.[2] Their origins, however, were diverse.

> "Some of them were the younger sons of the country gentry; some were themselves impoverished gentry; some were clergy, or sons or daughters of clerics; some had served as officers in the army; some had married merchants' heiresses, with modest fortunes in the South Sea Company [or any other of the Government Funds]; some were the heirs of

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1. A. Everitt, 'Social Mobility in Early Modern England', Past and Present, No. 33, 1966, p. 71.

2. See p. 273 below.

> local lawyers, scriveners or doctors; and some were the grandsons of ... wealthy factors, malsters, moneylenders and innkeepers."[1]

At the end of the seventeenth century they were already to be found in the country towns and spas and they were no doubt well established in the seaside resorts shortly after their foundation. One of their chief characteristics is said to have been a lack of any deep social roots and relatively high geographical mobility. Some of Cobbs' customers in this category do indeed seem to have moved from one health resort to another.[2] Many of the women who had bank accounts are also likely to fall within the category of 'psuedo gentry'. The thirty-three women account holders at Cobbs' bank in 1835 formed the largest single category of customers. Most of them were not mentioned in the trade directories, but a third of them were listed as 'gentry'. One other was listed as a proprietress of a boarding school. The accounts of the gentry and women combined, accounted for a substantial proportion of the deposits of all the three Kent banks studied; 43.8 per cent. of the value of the deposit accounts at the Ramsgate Bank; 56 per cent. of the 'banking accounts' and 32.4 per cent. of the deposit accounts of the Deal Bank; while in Margate they were the two most numerous groups of identifiable customers in 1835.

Of the remaining occupational groups, those falling within the wide-ranging retail and consumer goods category were numerous in each of the three banks. Transport operators were also significant depositors of the Deal bank, and were numerous in Margate in 1802 and 1808, although they seem to have declined by 1835, perhaps as a result of the decline of the

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1. Everitt, op.cit., p. 71.

2. Hugh Stuart Boyd, for instance, is known to have lived at Margate, London (Upper John Street, Fitzroy Square), Malvern Wells, Malvern, Bath and Sidmouth. By the mid 1830s, he was living in St. John's Wood, London. KAO, U1453/B3/15/193.

sailing packet operators in the face of competition from steam boats. The latter were organised by a small number of companies, operating from London, whose accounts might be more difficult to identify if entered under the names of the officers of the company.[1] Transport operators were of little significance in the Ramsgate bank in 1840, although boatbuilders and shipwrights made a significant contribution, reflecting Ramsgate's importance as a harbour of refuge. Farmers were less numerous and significant than might have been expected in an area noted for its prosperous and advanced state of agriculture. The shortcomings of the trade directories are undoubtedly an important consideration in the case of Cobbs, although the inclusion of many farmers in Holden's Directory for 1811 accounts for the six farmers identified in 1808. The timing of the failure of the Ramsgate bank may also have had some impact on the figures. Austen & Co. failed in May, a time when farmers were unlikely to keep large balances in the bank and, indeed, would just as likely be overdrawn, as a result of the heavy seasonal outlay of capital in the Spring. This would not apply, though, to the Deal bank which seems to have stopped payment at the end of 1825, either in November or December. Here, there was just one large 'Banking Account' and ten smaller 'Deposit Accounts'.

Of the rest, the various professions, clergymen, clerks,[2] attorneys, surgeons, doctors and schoolmasters, were a numerous category of depositors when combined together, particularly at the Margate bank, while at Ramsgate

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1. See pp.378-85 below.

2. The term 'clerk' is often used in these records as an alternative for clergyman. It was also used in the sense of an office worker, although many clerks at this time would have considerable responsibility for day to day management and may be more aptly described as 'managing clerks'. Samuel Lewis of Cobbs' bank was such a clerk.

they accounted for 10.5 per cent. of deposits. The Margate bank was further notable for the number of official and charitable accounts it held. Using the term official in a loose sense, eight current accounts can be said to have fallen in this category in 1808; the surveyor of customs, the Deputy's account (that is, Francis Cobb in his capacity as deputy to the Mayor of Dover), a coal meter, the official account of a Captain in the armed forces, the subscription account for the 'New Road', another highway account, the pier account, and an account of the pier wardens. The charity accounts of that year included the charity school, the meeting house account and a subscription account for M. Jennings. There were also five benefit societies with interest receipts; the Union Society of Ramsgate (£100), the Union Society of Margate (£950), the Amicable Society (£600), the Philanthropic Society (£50) and 'R. Taddy Sickman's Friend' (£35). The first three of these societies were probably friendly societies for working men, possibly even trade clubs or early trade unions. The Union Society of Ramsgate met in one of Cobb & Son's tied public houses, the Carpenters Arms, and in 1816 had increased its deposit to £650.[1] This society continued to receive 5 per cent. on its deposit until 1824, on the understanding that the club would continue to meet at the Carpenters Arms.[2] With the decline in rates of interest at this time Cobbs were clearly finding this an onerous commitment, since in April 1823 they were encouraging the society to transfer its account to the Ramsgate savings bank where they would receive

> "the best interest upon the best security & the advantage of taking their Interest or any part of

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1. KAO, U1453/B3/15/755.

2. Ibid., U1453/B3/15/1743, 5 May 1824.

> the Principal with all convenience at short notice."[1]

Cobbs' ceased paying a full 5 per cent. on this account in May 1824, an action which brought a letter of protest from the society.[2] A similar benefit society, the Hope benefit society, was receiving interest at 4 per cent. on a sum of £500 in June 1822.[3] This was still a generous rate of interest when many other depositors were receiving no more than 3 or 3½ per cent. The Deal bank had a benefit society among its creditors with a deposit account for the modest sum of £100. This was probably the manner in which the savings of the better off members of the working classes were most commonly channelled into bank deposits. The records of the Deal bank, however, are surprising in that they include deposits at interest of nineteen persons who could be described as working class; three servants, one gardener, and fifteen who described themselves as labourers. The average of these deposits was just over £86, and they varied from £10 belonging to a labourer of Deal, to £300 belonging to a labourer of Northbourne. Eight of these persons came from Deal, and one from London. The rest came from the rural areas of east Kent. How they managed to accumulate such sums, unfortunately, is not recorded. Perhaps they were the result of legacies from relations or gratuities from employers.

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1. KAO, 2 April 1823.
2. Ibid., 5 May 1824.
3. LBA, A20 b/36.

The private country banks have generally been seen as a source of weakness and instability in the English banking system of the late eighteenth and early nineteenth centuries. The Bank of England's monopoly of joint stock organisation and the limitation of other banks in England and Wales to a maximum of six partners meant that most country banks were small and local. While there were partnerships of great wealth and many banks, such as Cobbs, of great respectability, which survived the many financial crises of the period, there were also others whose lack of resources could bring the rest of the system into disrepute. In many family-run banks, the continuing success and safety of the bank depended on the production of sons with an aptitude and ability for running a bank. The Ramsgate bank of Austen & Son is a good example of a bank where the management was taken over by a son whose conduct resulted in a wasting of resources and the bank's ultimate collapse. Regular losses on stock market speculations after 1818 were one of the main causes of its collapse in 1840.[1] On being asked

> "Were you ever solvent, if so at what period and from what time do you date your Insolvency and to what cause [do you] attribute it?"

He replied,

> "I can't answer that question. My father was undoubtedly solvent. I can't say how the business accounts would have stood at my father's death [in 1818]."[2]

The small and local nature of most country banks meant that they were commonly dependent on the prosperity of a relatively narrow range of trades

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1. PRO, B3 167, p. 3.

2. Ibid., p. 6.

and businesses and that it was difficult for them to spread their risks. The way that many banks grew out of industrial enterprises has also been criticised as a weakness since it too often led to the locking up of bank resources in the fixed plant of the parent enterprise. As noted above, Cobbs were guilty of this fault, although the importance of the brewery as a source of strength should not be underestimated.[1] Contemporary critics, however, generally concentrated on the problem of private note issues and country bank failures. Concern about country bank note issues, according to Fetter, reaches back at least to 1793, even though the Bullion Committee of 1810 concentrated on the policy of the Bank of England rather than the country banks in the belief that the former exerted a powerful influence over the latter.[2] The problem of country bank issues was a theme taken up by John Wheatley in 1803:

> "I shall endeavour to prove that the paper of country banks must ever form an inefficient and dangerous medium of circulation, from its liability to sudden contraction in the period of alarm; and its tendency to as sudden an increase in the moment of security; and that its continuance is inconsistent with the stability of the national bank, and the general interests of the country."[3]

At this early date, Wheatley was recommending that private note issues should be abolished and that the Bank of England should have a monopoly of the note circulation. Fetter has suggested that writers such as Clapham and Silberling have been wrong in claiming that the Bullionists of 1810 denied that the country banks could act independently of the Bank of England

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1. See pp. 44-52 above.

2. F.W. Fetter, Development of British Monetary Orthodoxy, 1797-1875, (Fairfield, USA, 1978), pp. 48-51.

3. Quoted in, Fetter, op.cit., pp. 51-52.

in the regulation of their issues.[1] Nevertheless, it was not until the advent of the 1825 crisis that public attention was focused on the instability of country bank issues. The abolition of notes of less than £5 and the introduction of joint stock banks were two of the results of this concern.[2] The subject of country notes was subsequently taken up by members of the Currency School, whose central principle was that the quantity of coin and paper money in circulation should never be allowed to differ from what it would be if the currency were entirely metallic. The amount of paper in circulation would consequently have to be regulated according to the amount of gold flowing in or out of the country. One aspect of the problem of the control of bank notes was the multitude of private issuers, and the Currency School's solution, enacted in the Bank Charter Act 1844, was the gradual suppression of all note issues save that of the Bank of England.[3]

The concentration of the Currency School on the importance of bank notes to the exclusion of cheques, deposits and circulating bills of exchange, was its principal weakness. The reasons for the School's narrow view of money have been summarised by Adie. Firstly, the importance of the convertibility of notes in earlier financial crises led them to concentrate on notes alone. Secondly, they believed that the creation of deposits and other means of payment, was ultimately limited by the quantity of notes. Thirdly, note-issues fell within the legitimate realms of state

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1. Fetter, op.cit., pp. 48-51;

2. Ibid., p. 147; Feavearyear, op.cit., pp. 223-225.

3. Ibid., pp. 244-246.

regulation because they were a common medium of exchange used by all classes, including people who were not in a position to know of their quality or withstand a loss. Only the minimum interference to maintain the established rights of creditors and shareholders was seen as appropriate in the case of deposits and cheques since the public could choose whether or not to hold deposits or take a cheque, and in any case, deposit banking was generally confined to the more affluent and informed members of the public. Fourthly, it may have been assumed that deposits were quantitatively insignificant compared with notes.[1]

The Currency School's narrow view of money received contemporary criticism from members of the opposing Banking School. One of the leading exponents of the latter viewpoint, John Fullarton, stated that "Bank notes are the small change of credit", and that notes and deposits were "mutually convertible".[2] Subsequent writers have invariably criticised the Currency School's narrow view of money, while Adie's conclusions that deposits with London banks exceeded the value of Bank notes between 1824 and 1844, and deposits with country banks exceeded both country bank notes and Bank notes between 1821 and 1844, give added force to such criticism.[3] He adds, that

> "the few casual empirical statements made by members of the Currency and Banking Schools seem to indicate that they were aware of the true magnitudes involved."[4]

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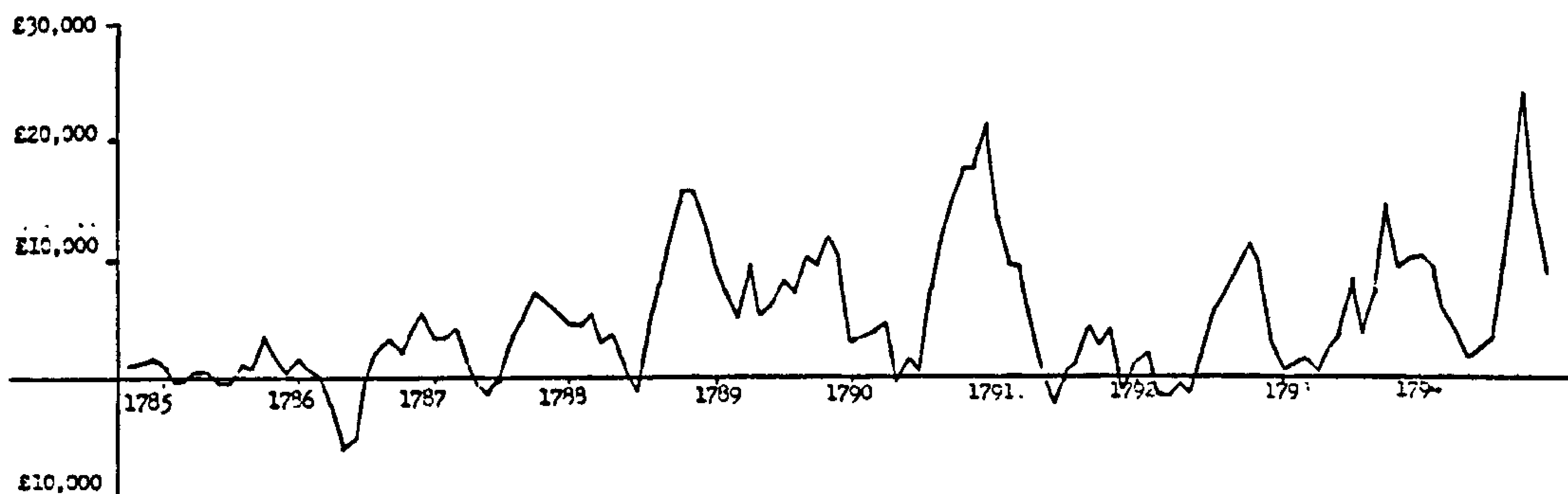
1. Adie, op.cit., p. 287; see also, J. Viner, Studies in the Theory of International Trade, (1955), pp. 243-254.

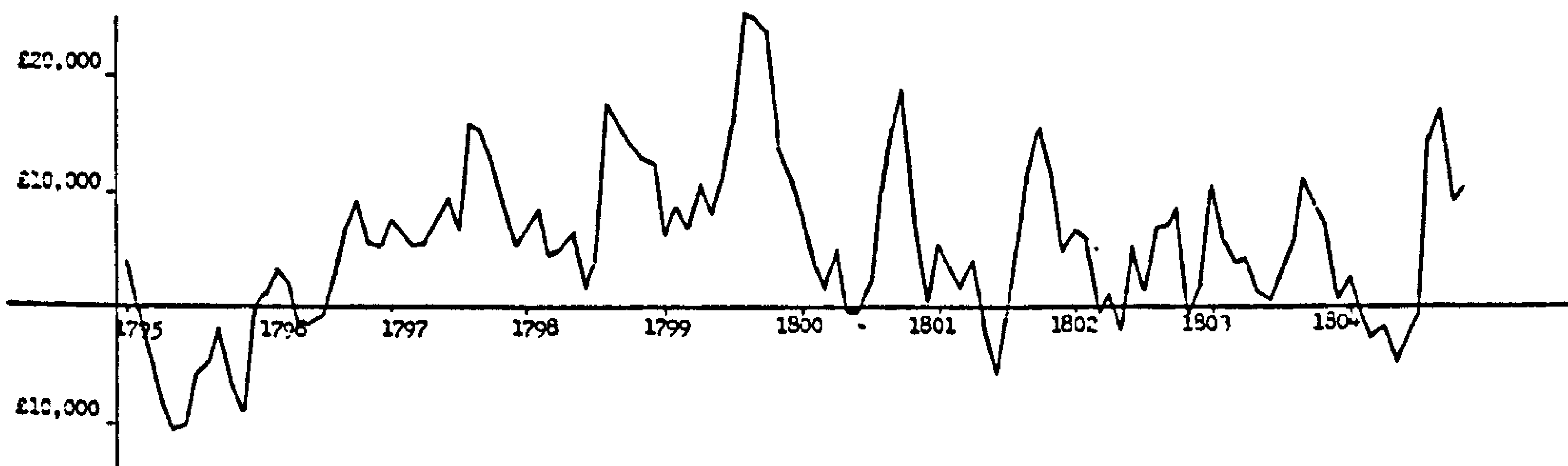
2. Quoted in, Feavearyear, op.cit., p. 248.

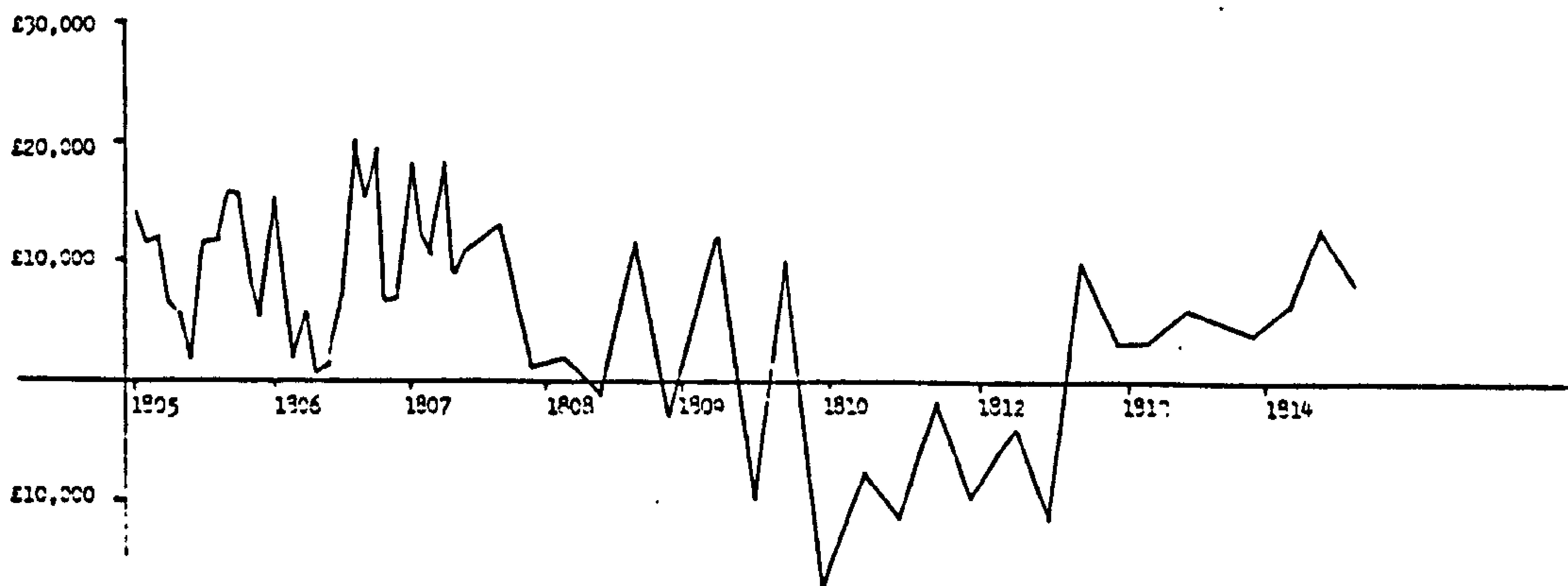
3. Adie, op.cit., p. 296.

4. Ibid., p. 296.

The Balance of Cobb & Son's Account at Sir James Esdaile & Co.




Source: KAO, U1453/B3/11/1-54.

The importance of deposits for the Margate bank in this period obviously means that any account of the impact of economic fluctuations on the bank, must consider the effect on deposits as well as notes. Indeed, deposits fluctuated more widely than notes. The evidence suggests that the experience of the bank up to 1840 is best divided into three phases. In the first phase, from the bank's establishment until about 1815, virtually every economic crisis presented Cobbs with difficulties requiring credit from Esdailes, and, in the more serious cases, the raising of funds from friends and relations. The second phase, from 1815 to 1826, is probably a transitional phase, but a lack of evidence makes it difficult to say anything very definite about it. In the third phase, which begins at least as early as 1826, the Margate bank was able to survive the fluctuations of the trade cycle without any serious difficulties.

The evidence for the first phase includes the details of Cobbs' monthly balance at Esdailes between 1785 and 1814 and miscellaneous items of correspondence. The balance at Esdailes exhibits two marked features: a seasonal variation, with high points usually coming at harvest time, and low points in the Spring and early Summer,[1] and, superimposed upon this, a longer fluctuation reflecting the business cycle and the financial crises of the period. For Cobbs the first major crisis came in 1787 when the balance at Esdailes reached a low point of £6,070.16s. 4d overdrawn. This crisis was marked by the return of many dishonoured accommodation bills, and sharp letters from Esdailes concerning Cobbs' discounting practices.[2] The account had recovered by July, but trade continued to

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1. See pp.148-9, 430 below.

2. See pp. 151-4, 328-38 below.

to be depressed in the following year, and Cobbs were slightly overdrawn in the May and June of 1788. The next major peak in the account came in December 1791, rising steeply in the latter part of that year from just under £315 in July 1791 to just over £21,523. In agriculture, 1791 was a year of abundant crops, but the fall in the price of wheat must have reduced profits, farmers generally preferring slightly below average crops to heavily abundant crops which reduced prices and increased costs.[1] Although there were complaints from the landed interest resulting in a new Corn Law, the rest of the economy was expanding. This peak in the Margate bank's account is consequently best explained by the prosperity of those involved in the grain trades, the millers, merchants and hoy operators, and those whose businesses would benefit from an increase in the number of visitors resulting from the general prosperity and optimism in London.

Gayer et. al. suggest that the peak of this economic boom was reached in the last quarter of 1792. The sharp downward plunge of Cobbs' London balance until it went into deficit in June, may be seen as an indication of an increased demand for credit in the country to finance the expansion encouraged by the prosperity of the previous season. The Margate bank fits neatly into the framework of Gayer, Rostow & Schwartz who see 1792 as a year when credit was greatly extended as a result of a general

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1. A.D. Gayer, W.W. Rostow, A.J. Schwartz, The Growth and Fluctuation of the British Economy, 1790-1850, (2nd ed., New York, 1975), vol. I, pp. 10-11.

2. Gayer, et. al., op.cit., vol. I, p. 347.

prosperity which had lasted some years.

> "It is clear from the evidence that the boom of the previous four or five years laid the framework of 'extended credit' on which the war crisis operated so drastically. Without the background of a financial system employing its resources close to the limit the panic of 1793 would not have been of the same kind or of the same magnitude."[1]

According to Professor Pressnell, there were sixteen country bank failures in 1793, the first six being concentrated in the second half of March.[2] This is reflected in Cobbs' London balance, which after recovering in the second half of 1792, temporarily fell into deficit in December. It then fell into deficit between March and June in 1793. Esdailes' reported that some country banks had stopped payment on the 8 March, specifically mentioning banks in Monmouthshire and Warwick. They then warned Cobbs that a great run was likely on all the country banks.[3] Cobbs had foreseen that there were likely to be difficulties ahead at least as early as January, when they applied to John Chippendale for a loan. Like many others at this time, the Chippendales had tied up most of their resources in their business, and in mortgages and bonds.[4] As a personal favour, however, his sister Mary was prepared to raise £2,000 by selling her stock, and lending the proceeds to Cobbs at 4½ percent. The stock market was already depressed so that a sale would entail a loss, but family obligations played an important part here.[5]

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1. Gayer, op.cit., p. 23.
2. Pressnell, op.cit., p. 457.
3. Parker Collection, U1453/B3/14/7, 8 March 1793.
4. Ibid., U1453/C51, 8 January 1793.
5. Ibid., 26 January 1793, 28 January 1793.

In the following months, when uncertainties surrounding the declaration of war helped to fuel the developing crisis, personal connections became vital. Macpherson's description of how firms of great respectability and solidity were forced to stop payment through the impossibility of raising any short term loans is illustrated by Cobbs' experience.[1] There is no evidence that Cobbs were forced to suspend payments, but in April they were trying to raise £5,000 on a mortgage. This was precipitated by the demand from Esdailes for the return of £5,000 borrowed by Cobbs in December 1792, plus £536 to cover their overdrawn cash account.[2] Esdailes were evidently concerned at being in advance to a bank such as Cobbs which had locked up a proportion of its funds in bonds and mortgages. They advised Cobbs to

> "take every means to raise money, for all Bills ever so good are lock up till they become due and are rec.d [received]."[3]

The prospects of raising money in the City seemed unpromising. One intermediary who was approached, replied that "it is impossible at this Time to get Money but thro' Friendship."[4] Cobbs' stock-broker, William Giles, was not able to help either. Most of his friends had made extensive investments in government stocks and were unwilling to part with them while the market was so depressed.[5] Prospects in the country seemed little

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1. Quoted in, Gayer, et. al., <u>op.cit</u>., vol. I, p. 23.
2. <u>Parker Collection</u>, U1453/B3/14/7, 29 March 1793.
3. <u>Ibid</u>., 29 March 1793.
4. <u>Ibid</u>., U1453/C43, 15 April 1793. See also 27 April 1793.
5. <u>Ibid</u>., U1453/B3/14/8, 6 March 1793.

better. A refusal was received from John Kingsford of Canterbury.

> "the general fears as to Banking Credit, from the many late failures in the Country is so great that nothing can be done by our family at present."[1]

Later, in July, his brother was able to deposit £500 at 5 percent.[2] From the deposit receipts book, covering the year 1793, it is possible to trace some of what might be called the 'extraordinary deposits' raised during this crisis at high rates of interest. These include £400 from John Gyles at "4½ or 4¾ p.Ct" in March, £766.12s. 6d at 5 per cent in April from the Margate librarian and bookseller, Samuel Silver. In May, this was increased to £2,450. £4,000 was raised in April at 5 per cent on a mortgage from Henry Jessard, while the evidence suggests, although it is too sketchy to be certain, that the second Francis Cobb's brother-in-law, Nicholas Styleman, and Nathaniel Austen, the Ramsgate shipping agent who a few years later was to become a banker, sold their government stock to make deposits of £3,000 and £380 respectively.[3]

The monetary stringency of the early part of 1793 was ended by the Government making an issue of Exchequer bills which were advanced to essentially sound firms who were, nevertheless in difficulties.[4] Cobbs' London balance followed a similar pattern in the folowing cycle. At the end of 1795 it reached an unusually high peak, just over £24,000 in November. 1795 was a year when non-agricultural prices showed a strong upward trend. Unlike 1793, the price of wheat also rose rapidly as a

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1. Parker Collection, U1453/B3/15/1116, 13 April 1793.

2. Ibid., 3 July 1793, 8 July 1793.

3. KAO, U1453/B3/1/14.

4. Gayer et. al., op.cit., Vol. I, pp. 23-4; Feavearyear, op.cit., p. 166; BPP, Report of the Select Committee on Commercial Credit, 1793, HC, 1826, vol. III, pp. 3-13.

result of low stocks. The price fell in August and September when the good weather promised an abundant harvest, but, according to Tooke;

> "the original deficiency then manifested itself and prices rose again considerably before the close of the year... The dearth of provisions, and the apprehensions of further scarcity reached their height in the spring of 1796."[1]

Again, as in 1792, it appears that prosperous conditions, this time mainly for farmers, encouraged the Margate bank to extend credit, as the account at Esdailes was overdrawn by £10,500 in June 1796. Gayer et. al. suggest that the peak of the boom was reached in May.[2] The harvest of 1796 was abundant and sent the price of wheat tumbling downwards, to the extent that it brought the domestic price index in the first half of 1797 close to the level of 1793-4.[3] This seems a likely explanation of the failure of Cobbs' London balance to recover in the latter part of 1796. The boom of 1796 was one of "somewhat restricted prosperity"[4] with the greatest price fluctuations occurring in agriculture. While the rest of the economy appears to have fluctuated less widely in these years, most trades were contacting, at least from the middle part of 1796, partly due to greater stringency in the money markets. This stemmed from the Bank of England's decision to ration discounts at the end of 1795, although the policy does not appear to have had much effect until the April of

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1. T. Tooke, A History of Prices, (1838), vol. I, p. 181; quoted in Gayer, et. al., op.cit., vol. I, p. 27.

2. Ibid., vol. I, p. 348.

3. Ibid., vol. I, p. 27.

4. Ibid., vol. I, p. 351.

1796.[1] Such a tightness in London would have hit the mercantile classes and would be likely to have reduced the holiday trade in Margate. The fear of a possible invasion by the French had caused an increase in the demand for specie in the country, particularly in Ireland and the north, and a drain on London. Rowland Burdon, a banker from Newcastle, stated that he had perceived an increase in the demand for specie since the end of 1796, although there was no panic until February 1797.[2] Thomas Thompson, a banker and merchant from Hull, thought that there had been an unusually high demand for cash for about a month before the Bank of England was relieved of its obligation to redeem its notes in gold. The banks in his district had drawn so much gold from London, that by March they had more by them than at any time since 1793.[3]

As in 1793, the Cobbs turned to John Chippendale for financial assistance during the crisis. £500 was deposited on a bond at 5 per cent. by Mary Chippendale, and there were discussions as to whether money could be borrowed from a trust set up for the benefit of Francis William Cobb.[4] The extent of such 'extraordinary deposits' at this time is difficult to determine. Interest rates, as indicated by the yield on consols, had risen so high by the middle and late 1790s, that the payment of 5 per cent. on deposits was not so unusual as it had been previously.[5] Among the list of deposit receipts, many of which still only received 3 or 4 per cent.,

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1. Pressnell, op.cit., pp. 460-461; BPP, 3rd Report from the Secret Committee on the Outstanding Demands of the Bank, (1797), 1826, vol. III, p. 45.

2. Ibid., p. 45.

3. Ibid., p. 58.

4. KAO, U1453/C51, 3 February 1797; U1453/B3/1/14.

5. Mitchell & Deane, op.cit., p. 455.

two deposits, besides that of Mary Chippendale, stand out by the nature of the security given. Elizabeth Friend increased her deposit from £1,000 to £2,700 in March 1797 on the security of a mortgage at 5 per cent. and her sister, Mary Friend, increased her deposit in the same month from £1,000 to £2,500 on a bond at 5 per cent.[1] The Margate bank's account at Esdailes was again overdrawn between May and July 1797, reaching its lowest ebb in June, at -£1,687.17s. 8d.

The peak of the next cycle, according to Gayer et. al., came in September 1800, and the trough in October 1801.[2] Cobbs' London account rose to a high point in August 1800 and then followed its normal seasonal cycle to recover to just over £18,650. It is not until the end of the year and the early Summer of 1802 that there is any indication that they were in difficulties. As well as the overdrawn account, there is evidence that Cobbs applied to John Chippendale again for assistance in March 1802. £500 was credited immediately to the Margate Bank's account at Esdailes, and there is some evidence to suggest that a loan of consols also took place.[3] Yet again, in May 1803, Cobbs called upon John Chippendale for assistance, although an improvement in their cash position meant that he could be repaid within a month.[4]

Far more serious consequences for the Margate Bank attended the crisis of 1810-11. The main characteristics of this cycle included a good deal

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1. KAO, U1453/B3/1/14.
2. Gayer et. al., op.cit., vol. 1, p. 348.
3. Parker Collection, U1453/C51, 13 March 1802, 2 July 1802, 23 July 1802.
4. KAO, U1453/B3/15/C51, 25 May 1803, 11 June 1803.

of speculative trade with Spain, the Mediterranean, and, more particularly, the Spanish colonies of South America. These markets were opened to British exports following the Spanish revolt of 1808. Britain's trade with the Baltic was distorted by Napoleon's Continental System. Trade with Germany, for instance, was greatly restricted in 1807 and 1808, but a loosening of the blockade in 1809 led to an increase in trade, only to be restricted again by a tightening of the blockade in the second half of the year. The third characteristic of the boom was the inflationary twist resulting from the Bank of England's failure to keep the volume of its discounts under control.[1] Gayer et. al. put the peak of the boom in March 1810, although bankruptcies were beginning to increase from late 1809. The bottom of the slump occurred in September 1811, although the economic crisis was already severe in July 1810.[2]

The crisis hit the cotton textile industry most severely and those trades most directly involved in the opening of new export markets.[3] It might have been thought that Margate would have been remote from such disturbances, but from December 1810 the balance of Cobbs' account at Esdailes went into serious deficit where it remained until the latter part of 1812.[4] By 1811, it is clear that many of Cobbs' customers had become overdrawn in 1810. In the month of July 1811, sixteen customers paid arrears of

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1. Gayer et. al., op.cit., vol. I, pp. 83-109; I.P.H. Duffy, 'The Discount Policy of the Bank of England During the Suspension of Cash Payments, 1797-1821', Economic History Review, 2nd series, vol. 35, pp. 67-82; F. Crouzet, L'Economie Britannique et le Blocus Continental, (Paris, 1958), vol. II, pp. 538-552.

2. Gayer et. al., op.cit., p. 348; Duffy, op.cit., p. 73.

3. Gayer et. al., op.cit., pp. 97-103; Feavearyear, op.cit., p. 193.

4. Some of the correspondence from Esdailes indicates that Cobbs were able to return to credit for short periods. KAO, U1453/B3/14/7.

interest on overdrawn accounts up to the end of the previous year, while others were paying interest on overdue acceptances and notes.[1] In the following years Cobbs generally secured these accounts with notes or bonds. From September 1812 until at least March 1815, Cobbs appear to have completely curtailed any advances on unsecured overdrawn accounts, for no mention was made of such accounts in the quarterly 'cash statements' drawn up in this period.[2]

Deposits without interest disappear altogether for a time during this period. Such deposits are omitted from the 'cash statements' for 30 June 1811, 31 March 1812 and 30 June 1812, reappearing at £14,688 on 30 September 1812. Interest rates at this time were high. As represented by the yield on consols, they were close to 5 percent for much of the time between 1811 and 1816, only falling to 4½ per cent. in 1815.[3] This, together with the uncertainties surrounding banking, not just in the country but in London as well,[4] meant that Cobbs had to pay interest to attract any deposits. Interest receipts were at an unusually high level at this time, as high as £39,738.4s. in June 1812, the highest recorded figure for the whole of the period studied.[5]

Various emergency measures were taken to raise cash during the crisis. In July 1811, for instance, various transactions were recorded dating back

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1. LBA, A20 b/6.
2. Ibid., A20 b/12.
3. Mitchell & Deane, op.cit., p. 455.
4. Pressnell, op.cit., pp. 466-470.
5. LBA, A20 b/12.

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to the previous March, including the rediscounting of £6,000 of bills with the bill-brokers, Richardson & Co.,[1] and rediscounting with Francis Cobb's brother-in-law Peter Blackburn of bills worth over £4,000. The latter also signed an acceptance for £2,000 which was discounted at Esdailes.[2] There were also transactions involving the sale of stock. Some of this might have been stock loaned by John Chippendale, the proceeds of which reached a maximum in 1812, £24,000 from Consols, and £6,810 from £12,000 Reduced stock.[3] The sums borrowed from Chippendale were secured by mortgages and bonds. In 1815, the sum outstanding was still £10,000. In the next 'cash statement', that for 1826, Cobbs still had £7,000 from Chippendale on mortgage, and the last entry under this head, for £5,000, was not made until 1830.[4] It is possible to trace three other 'extra-ordinary deposits' for 1811. A Mrs. Beecher deposited £4,000 on a mortgage, Mr. Cramp, presumably John Cramp, the Thanet farmer, deposited £1,000 on a mortgage, and Mrs. Godfrey of Ash, who supplied the Margate brewery with hops for many years, deposited £1,000 on a note.[5] The Cobb family also had to use its own wealth and resources to keep their business operating. This effort was at its peak in 1811 with £39,727 being added to make the accounts balance. In 1815, the figure still stood at £20,441.

The evidence for the next period, 1816 to 1825, is mostly confined to a month by month account of the note circulation, starting in January

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1. See below, pp. 180-198.

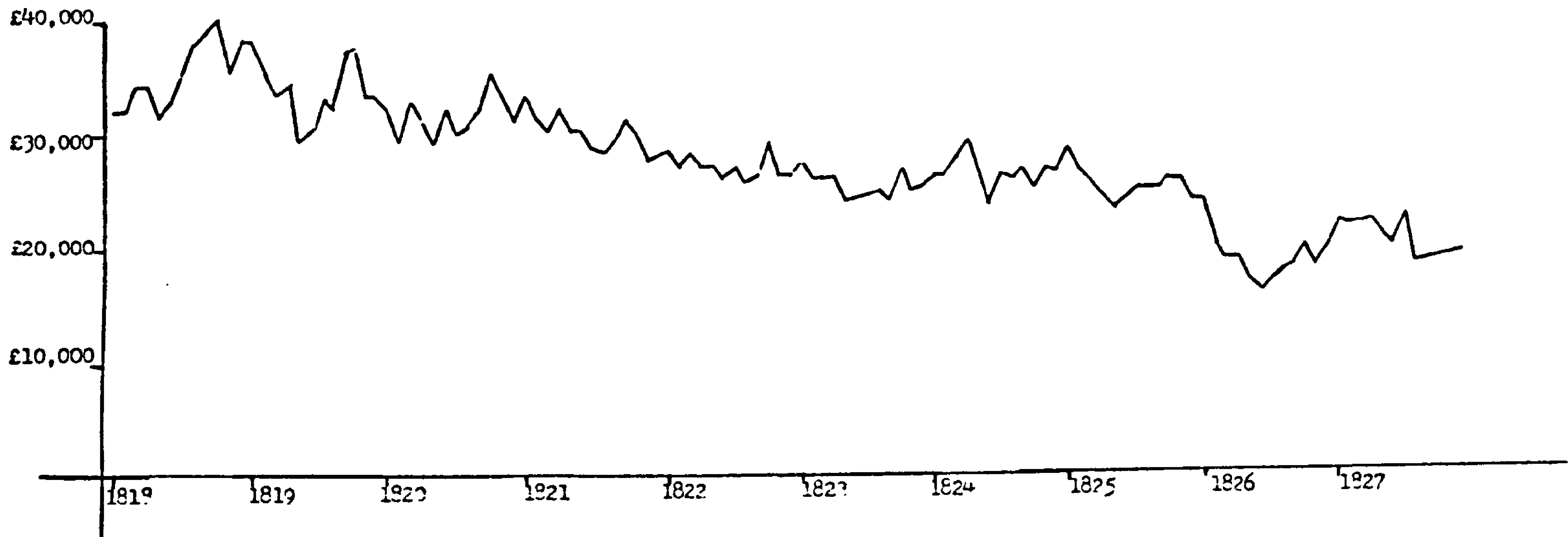
2. LBA, A20 b/12.

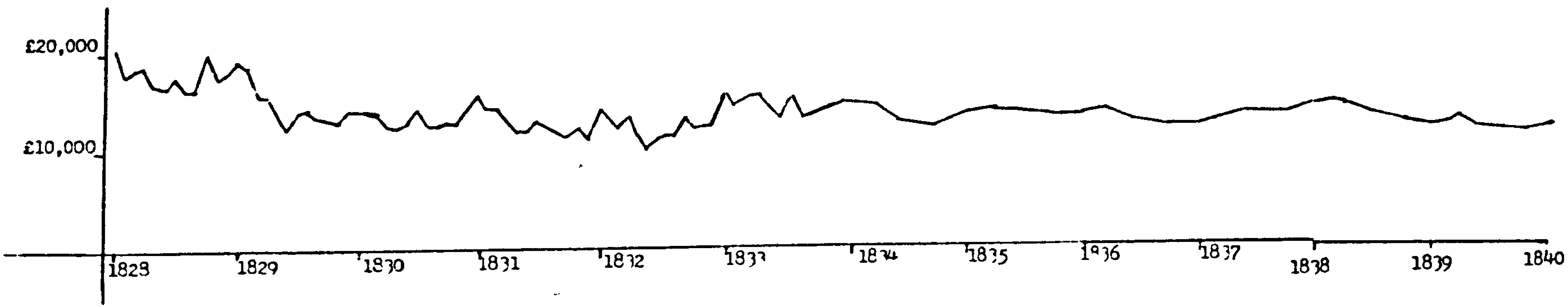
3. Ibid., A20 b/12.

4. Ibid.; KAO, U1453/

5. LBA, A20 b/12; see p. 316 below.

## Cobb & Son, Note Circulation, 1818–1840




Source: LBA, A20 b/2, p. 468 et seq.

1818, the profit figures for the whole period, and a list of bad debts. This was a period of continuing difficulty. Profit figures were poor, since for much of the period heavy bad debts had to be written off. In the 'Bank Ledgers' it is possible to trace interest payments being made on a mortgage to John Chippendale at 5 per cent.,indicating a continuity between the assistance given in 1811 and the mortgage being finally paid off in 1830.[1] Additional help was received in 1815 when in March, over £2,000 worth of bills were rediscounted with Richardson & Co., and in June, when Chippendale discounted an acceptance for nearly £2,000.[2] John Chippendale was applied to for assistance yet again in January 1821. This is another indication of the underlying weakness of the Margate Bank at this time, since 1821 was not marked by any financial crisis, although it was the third of four years of depression. This time he advanced £500 on the joint bond of Francis Cobb and Francis William Cobb, and £2,000 of 3 per cent. consols[3] which he offered interest free until the following June.[4] This assistance was not critical, however, for when in March he offered further help, the Cobbs were able to reply that they had

> "no need at present and hope to get through the Spring, not having yet made any use of the former supply."[5]

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1. LBA, A20 b/6; A20 b/36.

2. Ibid., A20 b/6.

3. This is presumably the nominal value.

4. KAO, U1453/C51, 12 January 1821.

5. Ibid., 6 March 1821.

Between 1813 and 1825, just under £20,000 was written off as losses through bad accounts and debts.[1] Although the majority of these debts were written off in either 1820 or 1825, it is probable that they had become bad some years earlier. The debt of £3,305.11s. 6d. owed by P. and J. Blackburn, for instance, was written off in 1820, although they are known to have suspended payments in 1814.[2] In other words, the financial crises of the years after 1810 to the early 1820s, together with the effects of the deflation following the Napoleonic Wars, and, no doubt, some unsatisfactory lending by the Cobbs, meant that a sizeable proportion of the Margate Bank's assets were locked up in illiquid loans. Bad debts were the most important factor behind the losses incurred by the bank between 1813 and 1822, but in the years 1810 to 1813 and 1815, losses were sustained even before taking account of bad debts. This would be accounted for by the high proportion of interest bearing deposits in these years and the burden of high interest rates on 'extraordinary deposits'.

By the end of the period, the Margate Bank was in a stronger and more secure position. That this was so is suggested by the way it withstood the 1825 crisis. This crisis, although sometimes described as the most severe of the nineteenth century, did not leave evidence of any desperate attempts by the Cobbs to raise cash. Bills were sent to Overend & Co. for rediscounting, but the accompanying letter suggests that this was a precaution, and lacks the urgency of the correspondence of earlier years.

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1. LBA, A20 b/12, p. 53.
2. See pp. 411-4 below.

> "Judging it most prudent to be on our guard at such times, tho' without any cause whatever in our neighbourhood - we wish to encrease our provision of Bank paper in hand & will therefore thank you to reconvert the inclosed 7 bills £5,172.12.10. into Cash..."[1]

In any case, Overend & Co. refused to rediscount the bills.[2] The outstanding mortgage due to Mr. Chippendale, though it still amounted to £7,000, was still lower than the level of borrowing between 1811 and 1815. Unlike the earlier period, there was no great list of bad debts following the crisis, while those that were written off in 1825 were done in September, well before the crisis broke and related to debts that became bad many years before.[3] Another indicator of the new strength of the bank is the fact that it continued to be profitable in 1825 and the subsequent years of depression in contrast with the losses sustained in earlier crises.

From 1826 until the end of the period here being studied in 1840, the Margate Bank was able to withstand the pressures of economic fluctuations with relative ease and calm. Even the crisis of 1836 and 1837, including the collapse of Esdailes,[4] does not appear to have presented Cobbs with any difficulties comparable with earlier crises. Profits were earned in every year, rising to a higher level in the 1830s to reach the highest recorded figure of £3,000 in 1840.

By the late 1820s the Margate Bank had greater liquid resources, and

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1. KAO, U1453/B3/14/20, 12 December 1825.
2. Ibid., 13 December 1825.
3. LBA, A20 b/12, p. 53.
4. See pp. 118-128 below. For an attempt at a statistical analysis of the data, see appendix 2.

The liquidity of the Margate Bank as expressed by % of net liabilities to the public, i.e. notes, deposits and interest receipts.

| Year | Cash at home | Cash at Esdailes | Total Cash | Cash and deposits with Overend Gurney** | Cash, bills and deposits with Overend & Gurney |
|---|---|---|---|---|---|
| 1808 | 1.3 | 30.0* | 31.3 | 31.3 | 46.0 |
| 1811 | 1.9 | 2.2 | 4.1 | 4.1 | 31.0 |
| 1812 | 3.7 | 14.0 | 17.7 | 17.7 | 39.0 |
| 1813 | 3.8 | 8.0 | 11.8 | 11.8 | 32.0 |
| 1814 | 5.3 | 13.8 | 19.1 | 19.1 | 48.0 |
| 1815 | 2.1 | 5.0 | 7.1 | 7.1 | 29.0 |
| 1826 | 3.6 | 10.4 | 14.0 | 14.0 | 42.0 |
| 1827 | 7.3 | 6.8 | 14.0 | 14.0 | 59.0 |
| 1828 | 12.7 | 8.5 | 21.2 | 21.2 | 58.0 |
| 1829 | 10.1 | 10.7 | 20.8 | 23.3 | 74.6 |
| 1830 | 11.5 | 7.8 | 19.3 | 29.7 | 83.2 |
| 1831 | 8.9 | 4.1 | 13.0 | 30.9 | 70.8 |
| 1832 | 8.9 | 8.1 | 17.0 | 46.0 | 79.0 |
| 1833 | 5.1 | 6.7 | 11.8 | 42.6 | 78.5 |
| 1834 | 7.0 | 6.3 | 13.3 | 46.7 | 66.3 |
| 1835 | 7.6 | 8.2 | 15.8 | 37.4 | 60.2 |
| 1836 | 7.3 | 6.6 | 13.9 | 41.5 | 66.1 |
| 1837 | 9.7 | 5.0 | 14.7 | 48.0 | 62.1 |
| 1838 | 10.1 | 6.6 | 16.7 | 61.5 | 74.5 |
| 1839 | 9.5 | 3.8 | 13.3 | 50.4 | 72.3 |
| 1840 | 9.8 | 5.2 | 15.0 | 68.1 | 79.0 |
| Average | 7.0 | 8.5 | 15.5 | 31.7 | 59.5 |

Source: LBA, A20 b/12, General Cash Statements.

* N.B. The figure for cash at Esdailes in 1808 includes an unspecified quantity of 'undue bills', which would not normally be credited until paid. They were presumably sent as a security for the account.

** There were no deposits with Overend & Gurney until 1829.

this must go some way in explaining its greater stability. On the side of advances, the evidence generally suggests that there was greater caution.[1] More specifically, the practice of long term lending on mortgages was generally avoided in this latter period, although a good proportion of advances were still for periods greater than one year.[2] Secondly, bad debts, which were the cause of most of the losses in earlier years, became very rare.

The main change in the liquidity position of the Margate bank was in the form of the secondary reserve of bills and deposits with Overend & Gurney. With regard to cash, the main changes were an increased proportion being kept in the till and a lower proportion in the form of deposits at Esdailes, or from 1837, Barnett, Hoare & Co.. The most likely explanation of this is that the abolition of notes less than £5 from 1829 required that a larger cash balance be kept in the till. The other change was that the cash ratio was never again permitted to fall to the low levels of 1811, 1813 or 1815. Apart from these years Cobbs appear to have kept a high proportion of cash compared with modern practice. Even Rae, writing in 1887, recommended a ratio of only 8 per cent.[3] The Cobbs' figures, however, are not strictly comparable with later figures, since they included items in their cash, such as cheques in the course of collection, which later generations would count as separate items.[4] Cobb & Son's practice was quite common among country banks of this period.[5]

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1. See chapters 6-9.
2. See pp. 257, 273, 304-5.
3. Rae, op.cit., pp. 207-8.
4. KAO, U1453/B3/3/1-30; W. Leaf, Banking, (1926), p. 130.
5. Pressnell, op.cit., 198-9.

For the secondary reserve, the most important development was the introduction of a deposit account with Overend & Gurney in 1829. These deposits could be withdrawn on demand. Looking at the Margate Bank's immediately available assets, that is, cash and deposits with Overend & Gurney, a marked rise occurred from 1828 onwards to reach a very high proportion of net liabilities to the public in the late 1830s. The figure most commonly used as a guide in more recent times, 28 per cent. was exceeded throughout the 1830s, to reach a high point of 68.1 per cent. in 1840. In addition to this, bills formed an important liquid asset, and indeed, were the most important secondary reserve asset before 1829. Compared with money on deposit with Overend & Co., bills had certain disadvantages. It was sometimes difficult to rediscount bills in times of general financial crisis[1] whereas deposits with Overend & Co. were available on demand. Confidence in Overend & Co's ability to pay on demand would have been encouraged by the facilities of discounting and advances given to the bill-brokers by the Bank of England after 1830.[2] Alternatively, a banker could wait for his bills to reach maturity but in times of general economic crisis he was likely to find that a certain proportion would be dishonoured, particularly those that took on the character of 'loan' or 'accommodation' bills.[3]

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1. For 1825 see above pp.105-6. For a discussion of the development of call money see pp.186-94 below.
2. Clapham, op.cit., pp. 135-7, 142-3.
3. See below pp.249-54.

The development of 'call money' both strengthened the position of the Margate Bank and increased the volume of Margate savings invested in the London money market. Through the London money market the savings of Margate were made available to the business community in the rest of the country. However, this did not preclude the Cobbs from making a valuable contribution to the local economy. The following three chapters will examine Cobb & Son's links with the London money market, while chapters six to nine will consider the bank's contribution to the local economy.

## CHAPTER 3

## THE LONDON ACCOUNT WITH SIR JAMES ESDAILE & CO.

Sir James Esdaile & Co. acted as London correspondents for the Margate Bank from 1785 until its collapse in 1837, when the London account was transferred to Barnett, Hoare & Co. Esdailes was an important London bank with a large number of country correspondents. Despite its importance, relatively little has been written about it, or the circumstances of its collapse, and the rescue operation mounted by the Bank of England and the leading London banks. This chapter will consequently commence with a brief history of Esdailes before examining its role and importance as the London correspondent of the Margate Bank.

The growth of modern banking in London pre-dated that of country banking by about a century with the development of the goldsmith-bankers in the middle of the seventeenth century. This was a result of the economic and social pre-eminence of the capital which dominated the rest of the country in the late seventeenth century and early eighteenth century to a greater extent than at any other time. As the focal point of fashionable and aristocratic society much of the wealth of the provinces was drawn into London. As the seat of government, it was the centre for government finance. Above all, London's economic prominence was due to its being the largest single market in the country and the largest port. London dominated both the nation's internal and overseas trade to the extent that an increasing number of payments for large business transactions were made through the capital.[1]

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1. F.J. Fisher, 'The Development of the London Food Market 1540-1640, Economic History Review, 1st series, vol. V, no. 2, 1934-5, pp. 46-64; F.J. Fisher, 'The Development of London as a Centre of Conspicuous Consumption in the Sixteenth and Seventeenth Centurries', Transactions of the Royal Historical Society, 4th series, vol. XXX, 1948, pp. 37-50; F.J. Fisher 'London as an "Engine of Economic Growth"', in J.S. Bromley & E.H. Kossman, Britain and the Netherlands, vol. IV, (The Hague, 1971), pp. 3-16; E.A. Wrigley, 'London's importance, 1650-1750', Past and Present, No. 37, 1967, pp. 44-70.

The significance of the goldsmith-bankers in the development of modern banking was highlighted by Gilbart. With the goldsmith-bankers there emerged

> "that part of the business of banking which consists in the borrowing of money, with a view of lending it again at a higher rate of interest.... The goldsmiths, who were previously only money-changers, now became also money-lenders. They became also money borrowers, and allowed interest on the sums they borrowed."[1]

Many of the London banks of the late eighteenth century could trace their origins back to the mid-seventeenth century goldsmith-bankers. These included Child's bank, which Hilton-Price claimed to be the first firm to make the complete transition to banking by dropping its goldsmith's business,[2] and Hoare's bank, whose earliest ledger is dated 1673.[3] Both of these banks were among the West end banks which came to specialise in business with the gentry and aristocracy who provided the bulk of their deposits, and received the bulk of their advances on mortgages and bonds.[4] In the city, there developed another type of bank whose customers were mostly mercantile men, who rarely made loans on mortgages but most commonly engaged in discounting bills of exchange. One such bank was Surman and Stone, who also held the accounts of several country correspondents.[5]

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1. J.W. Gilbart, The History, Principles and Practice of Banking, (revised ed., 1882), vol. I, p. 23.

2. F.G. Hilton-Price, Temple Bar, or Some Account of "ye Marygold", No. 1 Fleet Street, (1875), pp. 1, 18.

3. H.P.R. Hoare, Hoare's Bank, A Record, (1955), p. 3.

4. For further information on West End banks see, R.S. Sayers, Lloyds Bank in the History of English Banking, (1957), pp. 190-198; D.M. Joslin, 'London Private Bankers in Wartime 1739-84', in L.S. Pressnell, Studies in the Industrial Revolution, (1960), pp. 156-177; D.M. Joslin, 'London Private Bankers 1720-1785, Economic History Review, 2nd series, vol. VII, 1954, pp. 167-186; P.W. Matthews & A.W. Tuke, History of Barclays Bank, (1926), pp. 52-70, 79-94.

5. Joslin, 'London Private Bankers 1720-1785', op.cit., p. 179.

The older, well-established banks, were, however, generally reluctant to act as agents for the newly formed country banks of the second half of the eighteenth century. It appears that they either considered this new business to be too risky, or that they lacked the necessary expertise. Thus, the work of acting as London agents to country banks was left to a new generation of London banks. Esdailes, formed in 1781, was among the foremost of such banks, which included Henry Thornton's bank, Down & Co., (1773), Robarts & Co., (1772), Forster & Co., (1772), Masterman & Co., (1778), and Sanderson & Co., (1783).

At the foundation of Esdailes in 1781, Sir James Esdaile (1714-1793) was already a man of considerable fortune. The Esdailes were a French Protestant family who came to England in 1685 after the Revocation of the Edict of Nantes. In London they set up as manufacturers of military accoutrements and during the wars of the eighteenth century they accumulated great wealth by undertaking lucrative government contracts.[1] Sir James Esdaile was a member of the Coopers' Company, an alderman for Cripplegate Ward, and in 1777, was elected Lord Mayor of London.[2]

Some impression of Sir James Esdaile's personal fortune can be gained from the extent of his landed property in Essex. Through his second wife he inherited New Place at Upminster, and shortly after, in 1770, he bought Gaynes Manor. There followed a programme of building, renovation and landscaping which transformed Upmister.[3] The manor house, Great Gaynes was transformed at the cost of £22,000 from what appears to have been no more than a farmhouse in 1752 into what was later described as "a complete residence for either Nobleman or Gentleman".[4] In 1856, though several

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1. Sir William Foster, A Short History of the Worshipful Company of Coopers (Cambridge, 1944), pp. 134-7.

2. J.J. Baddeley, The Aldermen of Cripplegate Ward, (1900), pp. 96-7.

3. Victoria Country History of Essex, Vol. VII, (Oxford, 1978), p. 145.

4. Ibid., p. 150.

years after its demolition, it was described as having had a central mansion with two linked wings, a lofty Corinthian portico entered by winding steps and "elegant and well-proportioned, if not large, rooms".[1] The estate also consisted of several other gentlemen's residences of which New Place, Hoppy Hall and Harwood Hall were occupied by members of the Esdaile family, and five others, High House, Gaynes Cross, the West Lodge, Hunts Farm and Londons were let to tenants.[2]

It is clear that Sir James Esdaile was already a man of considerble wealth and reputation when, according to the Dictionary of National Biography, he was "induced" by his son-in-law Sir Benjamin Hammet to open a new bank.[3] Hammet (d. 1800) was also a man of property, being in possession of land in Carmarthenshire where there was "a large Works for manufacturing tin plates which have cost thirty thousand pounds to the different proprietors."[4] Hammet was among those proprietors and had a controlling interest. In 1791, he also became a founding partner of the Somerset country banking firm of Hammet , Jeffries, Woodforde and Buncombe.[5]

According to Hilton-Price, the London bank was first established at 26, Birchin Lane and was known as Sir James Esdaile, Hammet and Esdaile. The following year the firm moved to Lombard Street[6] and at the time Cobb & Son opened their account, in 1785, was known as Sir James Esdaile, Esdaile, Hammet and Esdaile.[7] In 1792, Esdailes amalgamated with the bank of Smith,

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1. Victoria County History of Essex, vol. VII, op.cit. p. 150.
2. Ibid., p. 145.
3. Dictionary of National Biography, vol. VI, p. 867.
4. L.S. Pressnell, Country Banking in the Industrial Revolution, (1956), pp. 329-30.
5. Ibid., pp. 112-3.
6. F.G. Hilton-Price, A Handbook of London Bankers, (1890), p. 57.
7. KAO, U1453/B3/11/1.

Wright & Co. For several years there was a Mr Wright in the partnership, but by 1799 he had left.[1] In the course of 56 years,several members of the Esdaile and Hammet families served in the bank, and in its management it remained a family firm almost until the end of its existence. Probably the longest serving member was William Esdaile (1758-1837), the fourth son of Sir James Esdaile. William Esdaile was given a "commercial education" and was placed as a clerk in the bank of Ladbroke & Co. He then became one of the founding members of Esdailes, his son describing him as follows;

> "Last but not least in the welfare of the concern came W. Esdaile, the man of business; perched on a high stool he was to be seen intent on the movements of the machine; hardly regarding those who came into the partners' office he was absorbed in his task. He had neither talent nor inclination for conversation on general subjects, and he knew little or nothing of what was passing out of banking hours."[2]

Later in life he developed a passion for collecting prints and foreign travel. His retirement from active business life occurred in 1832 when, after a trip to Italy he was struck with

> "a dangerous malarial fever, but, though he recovered his health, he was never again able to attend to business or manage his property. He neither read nor wrote, and spent the whole day overlooking his collection of prints."[3]

This may have been of some significance for the failure of the bank in 1837. Indeed, the historian of Gilletts of Banbury suggests that Esdailes ceased trading because of the age and ill-health of the senior partner.[4] The reasons for the failure were deeper than that, but William Esdaile's retirement would have put the firm more closely under the direction of Pascoe St. Leger Grenfell and Rees Goring Thomas who appear to have taken part in the speculative activities of the mid 1830s, the resulting lock up of assets being a significant factor in Esdailes' failure.[5] Pascoe St. Leger

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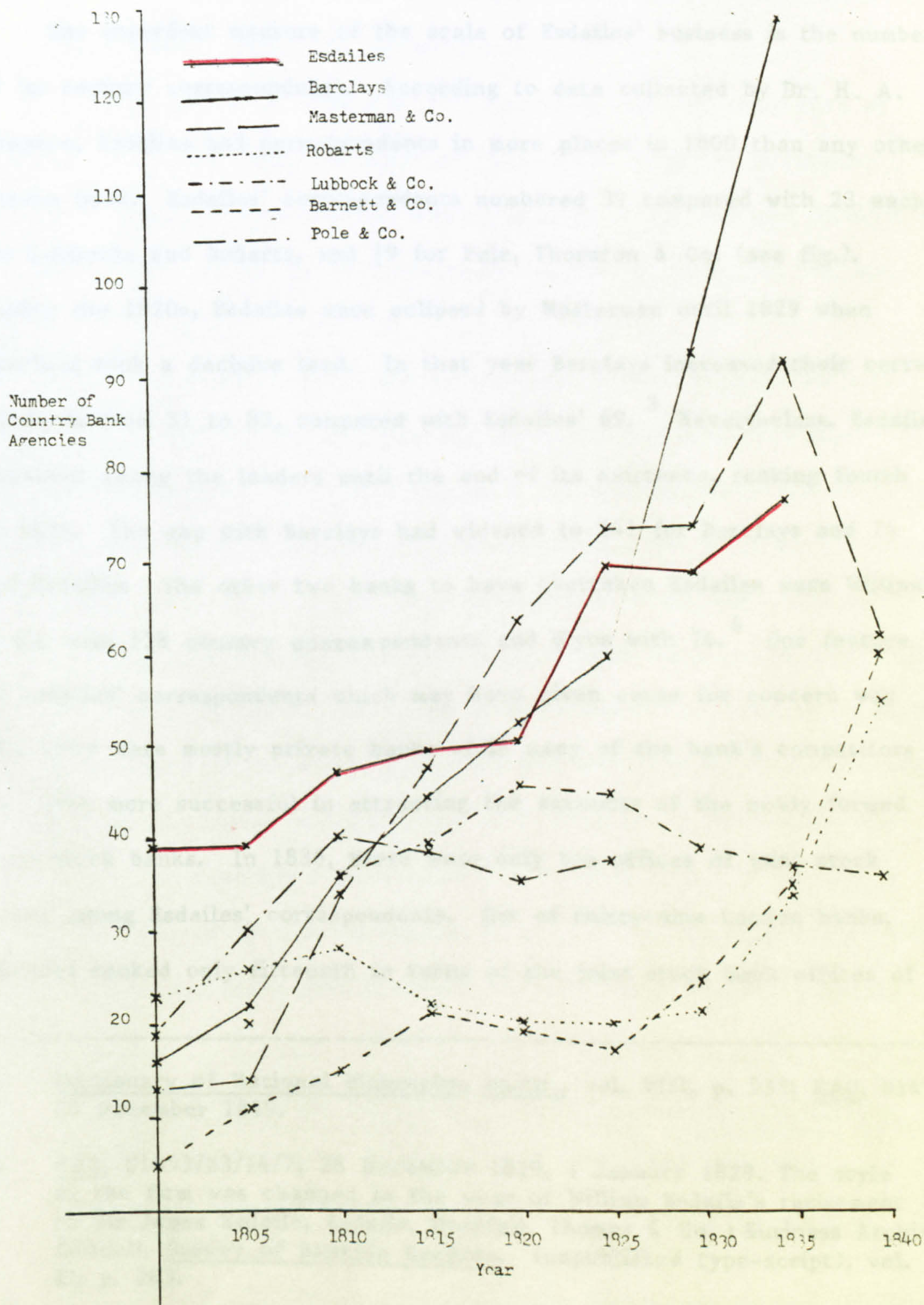
1. Hilton-Price, op.cit., p. 57.
2. Dictionary of Natonal Biography, op.cit., vol. VI, p. 867.
3. Ibid., vol. VI, p. 867.
4. A.M. Taylor, Gilletts, Bankers at Banbury and Oxford, (1964), p. 15.
5. See p. 124

The number of country bank agencies of the principal London banks



Grenfell was the son of Pascoe Grenfell, a tin and copper merchant and manufacturer, M.P., and expert on finance.[1] He joined the firm in 1819, to be followed by Rees Goring Thomas, who was related to the Esdailes by marriage and possessed an "independent fortune" in 1829.[2]

One imperfect measure of the scale of Esdailes' business is the number of its country correspondents. According to data collected by Dr. H. A. Shannon, Esdailes had correspondents in more places in 1800 than any other London bank. Esdailes' correspondents numbered 39 compared with 23 each for Lubbocks and Robarts, and 19 for Pole, Thornton & Co. (see fig.). During the 1820s, Esdailes were eclipsed by Masterman until 1829 when Barclays took a decisive lead. In that year Barclays increased their correspondents from 51 to 83, compared with Esdailes' 69.[3] Nevertheless, Esdailes remained among the leaders until the end of its existence, ranking fourth in 1836. The gap with Barclays had widened to 141 for Barclays and 74 for Esdailes. The other two banks to have overtaken Esdailes were Williams & Co. with 128 country correspondents and Glyns with 76.[4] One feature of Esdailes' correspondents which may have given cause for concern was that they were mostly private banks while many of the bank's competitors had been more successful in attracting the accounts of the newly formed joint stock banks. In 1836, there were only ten offices of joint stock banks among Esdailes' correspondents. Out of thirty-nine London banks, Esdailes ranked only fifteenth in terms of the joint stock bank offices of

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1. Dictionary of National Biography, op.cit., vol. VIII, p. 533; KAO, U1453/B3/14/7, 28 December 1819.

2. KAO, U1453/B3/14/7, 28 December 1819, 1 January 1829. The style of the firm was changed in the year of William Esdaile's retirement to Sir James Esdaile, Esdaile, Grenfell, Thomas & Co. ; Business Archives Council, Survey of Banking Records, (unpublished type-script), vol. II, p. 263.

3. I am indebted to Professor L.S. Pressnell for the loan of notes from the Shannon Mss.

4. Ibid.

its correspondents.[1] It is not clear why Esdailes were so slow in attracting the accounts of joint stock banks. It is possible that they were influenced by some of the legal uncertainties relating to joint stock banks.[2] They may also have been reluctant to offend their many private bank customers by promoting joint stock bank competition.

Esdailes' failure in February 1837 coincided with the down-turn of the trade cycle following the boom of 1835-6. It forms an interesting case of a rescue attempt by the leading bankers of London, and illustrates the development of the Bank of England's function as lender of the last resort.

The boom of 1836, according to Professor Rostow, marked the peak of a major cycle and was characterised by substantial long term investment at home and abroad.[3] The later stages of the upswing saw a rise in investment in new factories and industrial equipment, railways, and joint stock companies, particularly joint stock banks. The railway boom of the mid 1830s saw the beginning of the national railway network, with most of the major cities and towns being joined to the system in these years. Of more direct significance for the stability of the financial markets was the boom in American trade and investment. Gayer et.al. point out that there was a massive boom in overseas trade, reaching a peak in 1836 far higher than any previously recorded, followed by a sharp decline in 1837.[4] The principal factor behind these figures was trade with the United states where the boom reached

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1. Jean-Pierre Roth, Les Débuts de la Banque Mortlock à Cambridge, 1780-1816, (1969, unpublished Mss. ), p. B63. I am indebted to Professor Pressnell for the loan of this valuable work. See appendix 3.

2. W.F. Crick & J.E. Wadsworth, A 100 Years of Joint Stock Banking, (3rd ed., 1958), pp. 16, 19-20.

3. W.W. Rostow, The British Economy in the NIneteenth Century, (Oxford, 1948, p. 33.

4. A.D. Gayer, W.W. Rostow & A.J. Schwartz, The Growth and Fluctuation of the British Economy, 1790-1850, (1953), vol. I, pp. 250-1.

much greater heights than in England. Great optimism between 1834 and 1837 led to a sharp inflationary spiral. Indeed,

> "economic conditions in the United States were far from satisfactory. Banks had issued too much paper money. Market prices of real estate and stocks of canal, railroad, and manufacturing companies were inflated. Opinions regarding people's wealth had 'by continued prophecy become erroneous'; every man estimated his neighbour 'for more than he was worth!'"[1]

A substantial proportion of the capital for this expansion came from Britain, attracted by the promise of higher returns than could be earned at home. Easy credit conditions in England led the eight Anglo-American houses, who handled practically all the credit relations with America, to grant easy credit to American merchants, bankers and politicians. English investors were also attracted by the relatively high rate of interest that could be obtained on American securities; 6 per cent. on state loans and 9 to 10 per cent. on the bonds of the southern banks.[2] By the mid 1830s the purchase of securities had become an important factor in propping up the American balance of payments as the trade balance moved into deficit.[3]

The down-turn of 1836-7 was precipitated by a decline in trade with the United States, and it was those industries and merchants that depended on the American market that generally suffered most. British investment in America was interrupted for a period until after April 1837, the final revulsion from American securities not coming until 1839.[4] At the same time, several of the Anglo-American bankers were put into serious financial difficulties.

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1. R.W. Hidy, The House of Baring in American Trade and Finance, (Cambridge, Massachussets, 1949), p. 181.

2. L.H. Jenks, The Migration of British Capital to 1875, (1963 ed.) p. 70. For Cobbs' American investments see pp. 196-8.

3. Jenks, op.cit., p. 70.

4. Ibid., pp. 90, 95-8.

The proximate cause of the down-turn in the United States was a tightening of credit conditions in London. In the Summer of 1836, the directors of the Bank of England were becoming alarmed by an outflow of gold, which they believed was due to the malpractices of the joint stock banks at home and the loose credit policies of the Anglo-American houses In July, the discount rate was increased to 4½ per cent., and to 5 per cent. by August. In addition, the Bank put an indiscriminate ban on all bills on the joint stock banks and the Anglo-American houses, either for discount or as security for loans, whether the house concerned was considered to be sound, as in the case of Barings, or not.[1] Although this policy was intended to stem the movement of gold from the Bank to the U.S., it resulted in another demand for gold, this time inside the United Kingdom, as confidence sank. The next few months were marked by business failures at home as well as in America, most notably the Agricultural and Commercial Bank of Ireland, and the Northern and Central Bank of England. After a slight easing of conditions towards the end of the year, the Bank tightened the money supply again at the beginning of 1837 to stem further outflows of gold while, according to Hidy,

> "the entire business community was fighting against the terrific obstacle of a money market on the verge of demoralisation."[2]

It was against this background that the problems of Esdailes reached crisis proportions over the week-end of 14-16 January 1837,[3] adding even more cause for alarm. Esdailes had apparently been in difficulty for some

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1. Hidy, op.cit., pp. 205-7; M. Collins, The Bank of England and the Liverpool Money Market, 1825-50, (London, Ph.D., 1972), pp. 109-111.

2. Hidy, op.cit., pp. 208-9; see also, Sir John Clapham, The Bank of England, (1944), vol. II, pp. 150-6.

3. This was some months before the collapse of the American houses known as the "3 Ws" in June 1837.

time, as they had already received some assistance from the Bank of England in early December 1836[1], and George Carr Glyn, the London banker of Glyn, Mills & Co., had been investigating the firm's position in the same month. On 17 December 1836, Glyn and his associates wrote to the Governor of the Bank of England that on inspecting Esdaile's books they were satisfied that

> "after every proper deduction they are solvent and that upon liquidation there would be a considerable surplus... [However,] the house labours under the great disadvantage of having a large amount of Assets so locked up as they cannot be realised or rendered available for the purposes of the house within any reasonable period.... There are no resources immediately available for the repayment of the £114,000 advanced by the Bank, and it does not appear that the house can be conducted with ease and safety without a further advance. A very slight pressure would render it necessary to apply for further aid."[2]

Little of the detail of how Esdailes came to be in this position is known, but three factors received particular attention in the investigators' reports; the condition of some of the accounts of Esdailes' country correspondents, their private customers and the state of the partners' capital account. At first, the surplus of assets over liabilities was thought to be over £178,000,[3] but on further investigation was reduced to £45,561.[4]

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1. Bank of England, C.B. Hb. 16 January 1837, p.322.

2. Quoted in Anon., "The Esdaile Crisis", Three Banks Review, No. 70, June 1966, p. 42. The correspondence on which this article was based is deposited in the archives of Williams and Glynns Bank but at present is unavailable for public consultation.
This letter is also quoted (loosely) in Bank of England, loc.cit., pp. 322-3 where it also appears that Glyn 's associates were a Mr. W. Unwin Sims and Mr. James Freshfield, the latter being the solicitor to the Bank.

3. Bank of England, loc.cit., p. 324.

4. Ibid., p. 329.

The acount was as follows:-[1]

| Liabilities | | Assets | | |
|---|---|---|---|---|
| | | Discounted bills | £273,964 | |
| Cash balances town and country | £602,194 | Loans | 128,579 | |
| To the Bank of England | 80,000 | Overdrawn Accounts | 86,000 | |
| Sundries | 41,000 | | 488,543 | |
| | | Deduct 10% | | £439,689 |
| | | Book debts (private ledger) | 356,144 | |
| | | Deduct | 100,000 | 256,144 |
| | | Cash | | 72,922 |
| Balance | 45,561 | | | |
| | £768,755 | | | 768,755 |

Commenting on the above, Freshfield wrote,

> "For the deductions of 10 p.Cent from the Bills Loans and Overdrawings I have not so much justification but considering that Medley [W. Medley, Son & Co., bankers at Aylesbury, Uxbridge, Watford and Windsor] alone stands in these items for £49,000 - that if E. stop, his Banks also will probably stop, and that there will be in that case a wind up of his concerns, and that is only one debtor, I do not think for an estimate I have been unreasonable - I certainly think that if the house stops before an arrangement with Medley that account is worse by £20,000 than when we lookedat it..."[2]

Besides Medley & Co., who failed later in 1837, the other bank specifically mentioned by Freshfield was the Carmarthen Bank, Wilkins, Wilkins & Co. This bank owed Esdailes £92,000.[3] By the following November this had been reduced to £45,918.11s.1d., while another bank, the Llanelly Bank of R.J. Neville & Co., was found to owe £12,289.6s.6d.[4] These Welsh banks may well have participated in the previous speculative boom, being so close to the iron industry, but most of Esdailes' correspondents were outside the areas thattraded with America, or were at the centre of the boom. The

1. Bank of England, loc.cit., p. 328-9.
2. Anon., 'The Esdaile Crisis', op.cit., p. 41.
3. Bank of England, loc.cit., p. 329
4. Anon., op.cit., p. 41.

only correspondent in Lancashire, for instance was J.A. Aspinall & Son of Liverpool.[1] The crisis does not appear to have had any serious implications for Cobb & Son in Margate, whose account at Esdailes remained healthily in credit at £5,000 on 2 January 1837, and £4,900 on 16 January 1837.[2] Nevertheless, much of the capital invested in American securities came from the provinces, according to Jenks, who specifically mentioned Lancashire, Ireland and the eastern and midland counties of England as sources of supply.[3] That the enthusiasm for American securities was widespread is supported by the testimony of Henry Burgess, the secretary of the country bankers' association, who included

> "the most eminent Bankers of London, many of the most cautious and successful country bankers, some of the most renowned statesmen... and a conspicuous bill-broker."

as among those who had an unwarranted faith in American investments.[4]

Two other customers meriting special mention in Freshfield's report were George Reid & Co. and Sir James Owen who were indebted to Esdailes to the extent of £22,000 and £26,000 respectively. As to their value as assets, Freshfield struck £10,000 off each of them.[5] Reid & Co. were a firm of West India merchants of 37, Mincing Lane.[6] Sir James Owen's property was largely in the form of land and mining royalties, although these were heavily mortgaged for earlier loans which claimed priority. By June 1837, his debt had risen to £38,965.4s.3d. and it became clear that he was unable to pay even the interest on the loan. A decision was taken that the estate

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1. The Post Office London Directory of 1836.
2. KAO, U1453/B3/14/7, 2 January 1837, 16 January 1837.
3. Jenks, op.cit., p. 72.
4. Circular to Bankers, 5 March 1841; quoted in Jenks, op.cit., p. 95.
5. Bank of England, loc.cit., p. 329.
6. Post Office London Directory for 1836; Pigot & Co., Directory for 1834.

should be sold even though there was a risk of some loss.[1]

As regards the partners' capital accounts, the Bank of England records are again brief, but they indicate that Pascoe St. Leger Grenfell and Mr. Rees Goring Thomas played a significant part in the locking up of the bank's assets.

> "Mr. Esdaile has capital of £91,000 upon the books. Mr. Thomas has an apparent capital of £20,000 but has advances from the house to a rather larger amount. Mr Grenfell has no capital on the books, having been absorbed by bad debts and written off."[2]

Again, the minutes do not say how this state of affairs arose, but it is known that Grenfell had been active in railway promotion in 1836. He was the first chairman of the South Eastern Railway, which had received its Act of incorporation in that year. He was also the largest shareholder, having been allotted 5,000 of the 28,000 shares.[3] Merely paying a 10 per cent deposit on these shares would have committed him to £50,000, and it seems quite probable that he might have raised such a sum by a loan from his own bank, perhaps with the shares as a security. In any event, the financial difficulties of the railway company, which only reached Dover in 1844, would have meant that the shares could only have been sold at a heavy discount. Such a burden must have put a strain on his financial resources.

Two more indications of the seriousness of Esdailes' situation are the time taken to settle the bank's affairs and the break up of the Esdaile family's estates. As part of the security for the Bank of England's loan, Esdaile's real estate was conveyed to trustees.[4] The Upminster estates were sold in 1839, probably to meet the repayment of the loan.[5] The final

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1. Anon., 'The Esdaile Crisis', <u>op.cit.</u>, pp. 46-7.
2. <u>Bank of England</u>, <u>loc.cit</u>., p. 324.
3. J. Hilton, <u>A History of the South Eastern and Chatham Railway</u>, (Tonbridge, no date), p. 21.
4. <u>Bank of England</u>, loc.cit., p. 332.
5. Victoria County History of Essex, op.cit., p. 150.

settlement of Esdailes' affairs did not occur until 1873, when it seems that the final dividend was less satisfactory than had been anticipated. Freshfield noted that the balance in the hands of the assignees

> "would give a dividend of 6½d. in the £ and leave £34.6.2d. to pay the expenses, etc. The dividend previously paid is 13s.6d.
>
> Considering that 37 years have elapsed since the house suspended payment, and that no claims have been put forward for many years past save Downman's with the Carmarthen Bank, I think we may safely divide all the money in hand, and treat it as a final dividend."[1]

It was George Carr Glyn who took the lead in pressing for Bank of England assistance. He was supported by twenty London banks who offered to contribute £5,000 each to avert the stoppage if the Bank would advance any other sums that would be required. At the same time, any advances by the Bank were to be given priority for repayment. The banks involved included, Robarts, Lubbock & Co., Smiths, Barnett, Hoare & Co., Barclays, Masterman & Co. and Williams, Deacon & Co.[2] The principal reason for their action was the fear that the collapse of such a key bank as Esdailes, against the background of an already fragile money market, would create a panic that would bring down many otherwise sound banks. Their letter to the Bank explained how

> "the consequences of even a temporary stoppage of such a House in the present unsettled state of public credit would be so fearful that we deem it right to press upon the Bank of England in the most urgent manner the expediency of interfering to prevent such a calamity - our own sense of the evil is so great that we have resolved to contribute among ourselves £100,000 to avert it...."[3]

The Bank, however, was not at first impressed, as on receiving Freshfield's report, it declined to assist in Esdailes' liquidation.[4] It was only after

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1. Anon., 'The Esdaile Crisis', op.cit., p. 48.
2. Bank of England, loc.cit., pp. 326-8.
3. Ibid., p. 326.
4. Ibid., p. 329.

the London bankers applied a second time and promised to increase their portion of the advance to £150,000 that the Bank finally acquiesced "on considering the serious responsibility that would be thrown on this Establishment were anything sinister to occur after these urgent representations".[1]

The Bank's initial reluctance to act reflected the division of the Court into two factions; one led by the Governor, J. Pattison, which favoured a strict application of the 'Currency Theory', and the other led by Horsley Palmer and the Deputy Governor, Curtis, who, though they accepted the general need to restrict the money supply, believed the Bank should use its discretion in the public interest to forestall any banking or mercantile failure that was likely to cause a panic. The strict 'Currency Theory' faction believed that any acceptance of a general responsibility to come to the aid of banks in distress would be contrary to its policy of reducing the money supply, and were, in any case, reluctant to undertake the risks involved.[2] The Bank's experience in the winding up of the Northern and Central Bank of England in the previous December may account for the Bank's initial unwillingness to help Esdailes. Some of the directors were appalled when it was found that the Northern and Central's "methods of business, when investigated would not bear investigating."[3] This helped to strengthen the view that the Bank should not come to the aid of speculators, or to dishonest or otherwise mismanaged banks. Certainly, Freshfield was unwilling to treat

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1. Bank of England, loc.cit., pp. 331.
2. Collins, op.cit., pp. 132-4.
3. Clapham, op.cit., vol. II, p. 155.

the Northern and Central Bank as a precedent. In a letter to Glyn on 15 January 1837 he wrote;

> "... but then ought the Bank to undertake the liquidation of a London Banking house. The more I think of it, the more difficulty I feel in conceding the principle and I am not at all disposed to give weight to the case of the N & C Bank. I think it was different but if not and we were wrong there, we should pause before going further."[1]

While there was no evidence of dishonesty in the case of Esdailes, it was not possible to say that they were completely free from mismanagement. What appears to have made the difference and brought victory to the 'discretion' faction is the way the Bank was protected from loss by the assistance of the London banks and the provision of adequate securities, including the Esdaile family's private estates. This point is underlined by the Bank's experience with the Anglo-American houses. In the same month as the Esdaile crisis, representatives of the Anglo-American merchants asked the Bank for assistance in the encashment of their bills to relieve their dangerous liquidity position. The aid was supplied, but only with the greatest reluctance. Again, G.C. Glyn was closely involved with the negotiations, and his correspondence shows that there was a strong body of opinion within the court, including the Governor, Pattison, against giving any aid.

> "I may tell you that had it not been for the firmness of Horsley Palmer and the Deputy Governor [Curtis], the Governor and his party in the Court would have brought down every American house and involved every mercantile connexion in general confusion. I really think the Governor is mad upon this subject - he and I have been brought into disagreeable collision...."[2]

In June 1837, the risks involved in any rescue of the '3 Ws' led the Bank to permit their collapse, although the proposal to continue support "was lost by a bare majority and against the Governor and his Deputy."[3]

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1. Anon., 'The Esdaile Crisis' op.cit., p. 44.
2. Collins, op.cit., pp. 131-2.
3. Ibid., pp. 132-4.

In contrast, the firm of W & J Brown & Co. was able to secure the Bank's aid because it was able to provide adequate securities and an adequate amount of personal guarantees from merchants and bankers.[1]

Always among the leading London private bankers in terms of the number of its country correspondents, Esdailes, through the locking up of a substantial portion of assets in loans to a few of its country correspondents, private customers and to the partners themselves,was forced to suspend its payments against the background of the 'American crisis' of 1837. That it avoided the bankruptcy court and was quietly 'wound' up was largely due to the efforts of the leading London private bankers in persuading the Bank of England to give its asistance and so avoid the possibility of a repeat of the panic of 1825 which seemed only too possible against the already fragile and demoralised state of the money market. The result was that country correspondents such as Cobb & Son were able to announce to the public that the Bank of England had promised to pay all of Esdailes' liabilities, and avoid the danger of a lock up of part of their cash reserve which would have occurred if Esdailes had been forced into bankruptcy.[2] For the Bank of England, the revelations of mismanagement, the difficulties of winding up Esdailes, and the posibility of it resulting in a loss, are all factors to support the claims of Collins and Lévy-Leboyer that the Bank's more passive role in the 1840s can be explained by its bad experiences in the use of its discretion in the 1830s.[3]

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1. Collins, op.cit., p. 139.
2. KAO, U1453/B3/15/666, 17 January 1837.
3. Collins, op.cit.; M. Lévy-Leboyer, 'Central Banking and Foreign Trade: the Anglo-American Cycle' in C.P. Kindleberger & J.P. Laffargue, Financial Crises (1982).

The first entry in Cobb & Son's pass book with Esdailes was dated 3 August 1785.[1] Why Esdailes were chosen is not known, but from their large number of country correspondents it can be inferred that they were able to offer competitive terms. As was common in the eighteenth century business world, personal factors may well have played an important part. It is possible that the Cobbs were introduced to Esdailes by the Chippendales, who had a house in the same street as Sir James Esdaile's London home, Bunhill Row. Furthermore, although he never practised the trade, Sir James Esdaile was a member of the Coopers' Company, so it seems likely that he knew the Chippendales, who were the most important coopers in London.[2]

The earliest surviving correspondence is from January 1787. From that time until 1837, Cobb & Son received a letter from Esdailes, on average, once every two days, and, with the exception of a few months and a few years, the great bulk of it has survived. Most of it was concerned with routine business matters; the first month's correspondence, for instance, acknowledged all the notes and bills paid into the account, gave notice of the acceptance of "the Rotterdam bill £85" and promised to honour all of Cobbs' notes and drafts.[4]

In 1819, Lewis Loyd of the bank of Jones, Loyd & Co. summarised

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1. KAO, U1453/B3/11/1.

2. The London Directory for the Year 1780, p. 53; Foster, op.cit., pp. 134-7.

3. KAO, U1453/B3/14/7. The first letter is dated 2 January 1786, but is in a bundle for 1787. It is likely that 1787 was intended.

4. Ibid., January 1787.

what he considered to be the main tasks of a London banker, which were,

> "to pay the notes of the country banker for whom he is agent, to accept his drafts and pay them, to execute stock orders, and do any other business that he may wish to have done in London, in the way of money transactions."[1]

It was generally customary for country bankers to make their notes payable at their London agents as well as in their country offices. Given the importance of London in the national economic life this was clearly a great advantage for many customers, especially in a town like Margate where trade was predominantly with London. Country bankers also made use of this facility in exchanging their notes. In most cases Cobbs would send the notes of other banks they received in the course of business to Esdailes, who would then procure payment for them from the relevant London agent. Even banks in Kent, on the whole, seem to have preferred notes to be exchanged through their London accounts. The clearing of notes locally, with only the balance being transferred in London, would have had some advantage over this system and there is evidence that there were some local clearing arrangements. Commission charges for London accounts were broadly based on the turnover of business and so local clearing would be one way of reducing the burden of this charge. Further, it has been said that the use of the London account to pay off notes weakened its function as a reserve.[2]

The evidence of local clearing extends as far as two banks, Austen & Co. of Ramsgate and Harvey & Co of Sandwich, and more generally for small or 'local' notes. Austen & Co. were exchanging Cobbs' five guinea and ten pound notes locally in 1796,[3] and in a circular of 1811 they referred to

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1. BPP, Minutes of Evidence, Select Committee on Resumption, 1819, HC, vol. III, p. 164.

2. Pressnell, op.cit., p. 128.

3. KAO, U1453/B3/14/1; see for instance 12 March 1796, 22 April 1796 and 27 April 1796.

an exchange of notes being the usage between established bankers.[1] This practice, however, seems to have been dropped by the 1820s when it appears that it became customary for notes of more than £1, to be sent up to London, for in October 1820, Austens wrote to Cobbs saying;

> "We should be thankful if you would kindly transmit us, for about a week to come such of our Notes as may fall into your hands, instead of remitting the larger ones to London. We make this request from the prospect of becoming short of our own Paper for some few days."[2]

Evidence that Harvey & Co. exchanged large denomination notes locally exists for the years 1807 to 1813,[3] but all banks had to exchange Margate £1 or 1 guinea notes locally. These were known as 'local notes' and were not payable in London as Esdailes generally refused to handle notes of such a small denomination. In 1804 they informed Cobbs:

> "we have no objection to pay a few of your local notes now and then, but we cannot at all times do it, having refused the same to our other friends and if we oblige one, we shall disoblige many, and it should be impossible for us to oblige all."[4]

Two local banks that found this exchange of local notes inconvenient were May, Wyborn & Mercer of Deal and Vallance & Son of Sittingbourne. In 1812 the Deal Bank wrote to Cobbs that;

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1. KAO, loc.cit., 31 October 1811.

2. Ibid., 21 October 1820.

3. KAO, U1453/B3/14/12, 4 July 1807, 12 April 1812, 17 November 1813.

4. Ibid., U1453/B3/14/7, 6 March 1804. This was not a universal practice. Stuckey said he had made his £1 notes payable in London although there were also local clearing meetings. See, BPP, Minutes of Evidence, Select Committee on Resumption, loc.cit., HC, p. 247.

> "as the medium thro which we forwarded your small notes to you is now at an end and we have no means of forwarding them but by the Common Carriers or Coachmen at a risk and expence we have to beg the favor of you to permit Esdaile & Co. to pay what few we may send them, a measure in which we doubt not of your acquiescence as we presume our Bankers [Forster & Co] offer no obstacle to the payment of our own coming from you."[1]

This brings out the importance of a cheap and safe means of communication for a local clearing system to be possible, and it is perhaps no coincidence that 1812 was the year Cobb & Son sold the Deal brewery, and therefore reduced their direct contacts with the town. Even so, Esdailes would not change their rules and the Deal bank continued to exchange small notes locally, although from August 1812 they sent all the local notes of the banks on the Isle of Thanet to Cobb & Son, so that on 4 November 1812, for instance, they sent Cobb & Son thirty-six £1 notes of Austen & Co., twenty-one £1 notes of the Isle of Thanet bank, and thirty-four £1 notes of the Margate bank.[2]

Vallance & Son likewise complained of the difficulty of remitting local notes to Margate in 1824, preferring instead to send them to London. Again, Esdailes' general rule could not be altered, although Cobb & Son said they were "equally inconvenienced with the local paper of some of the more distant Banks in the County, but we do not consider it a sufficient reason to refuse the notes of these firms."[3] To ease the problem Cobbs suggested Vallance & Son should return Margate local notes via the Canterbury banks.[4]

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1. KAO, U1453/B3/14/15, 22 August 1812.

2. Ibid., 4 November 1812. Similar complaints regarding local notes were received from Waterman & Co. of Tenterden in 1804. U1453/B3/15/2054.

3. KAO, U1453/B3/15/2004, 11 December 1824.

4. Ibid.

The importance of the London agents of country banks as banks of remittance went far beyond the payment of country bank notes. A facility that Cobbs offered from the outset was the sale of drafts on Esdailes with which a purchaser could then settle an account in any part of the country.[1] London was the key in most cross-country financial transactions, as Gilbart explained;

> "Each country banker employs a London agent to pay his notes or bills, and to make payments in London; and, on the other hand, to receive sums that may be lodged by parties residing in London for use of parties residing in the country. As each country bank is thus connected with London, it is virtually connected with all the other banks in the country; as far, at least, as concerns the transmission of money."[2]

The transmission of funds across the country by opening credits at Esdailes was one of Cobb & Son's most common transactions. Thus, for instance, Edward Boys of Salmstone was able to ask for a credit in London at Esdailes in 1806 for £1,000 to settle the purchase of an estate,[3] and in 1815 for £500 for a visit to London.[4] In the opposite direction, T. Abbott of London, on his entering a partnership in Margate in 1838, was able to open an account at the Margate Bank by paying £950 into Esdailes on account of the Margate Bank.[5] Taxes could be paid into the Bank of England by the same method. In 1835, the clerk to the Bank of England wrote to Cobbs saying he had received cheques on the Margate bank for £1397.17.9 for land and assessed taxes, requesting that Cobbs should order Esdailes to pay that sum to the Governor and Company of the Bank of England.[6] Such a facility was of particular use to the transport

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1. <u>KAO</u>, U1453/B3/12/2-10.
2. Gilbart, <u>op.cit</u>., vol. 1. p. 137.
3. <u>KAO</u>, U1453/B3/15/198, 3 November 1806.
4. <u>Ibid</u>., 3 January 1815.
5. <u>Ibid</u>., U1453/B3/15/1, 23 April 1838.
6. <u>Ibid</u>., U1453/B3/15/1327, 11 December 1835; also 10 December 1835, 9 June 1836.

industries. The Margate Steam Packet Company, for instance, would pay money into the Margate Bank and then ask for this to be transferred to their London bankers, Sir William Kay, Price & Co. In December 1829, Cobbs were asked to remit the following sums;[1]

| | |
|---|---|
| £54.6.0. | on account of the Eclipse |
| 225.5.7. | " " " " Venus |
| 151.18.9. | " " " " Albion |
| 367.1.8. | " " " " Dart |
| 446.18.1. | " " " " Magnet. |

The largest remittances between Margate and London by such transfers were to London bill-brokers, most notably Richardson, Overend & Co. for the bank's own investment, and to the stock market on the bank's account, the Cobbs' private account and for the customers of the bank. Although Esdailes would not, generally, procure either stock or bills on behalf of the Margate Bank, they regularly collected the dividends under powers of attorney and remitted them to Margate. The earliest dividend list to have survived is dated 27 January 1795, and listed six customers with Consols and 5 per cent stock, with dividends totalling £171.15s.[2] Over the years the number of customers holding government securities increased until in January 1836 there were twenty-five holding Consols, and thirty-two holding New 3½ per cent. stock. The total dividend received by Esdailes that month amounted to £1609. 10s.[3] Further dividends amounting to £731.11s. 5d. were collected in the following April for ten accounts holding Reduced stock and a further ten holding

1. KAO, U1453/B3/15/1123, 23 December 1829.

2. KAO, U1453/B3/14/7, 27 January 1795.

3. Ibid., 1 January 1836.

3½ per cent. Reduced.[1]

Examples of money being transmitted through Esdailes to and from banks in other parts of the country include one for 1789 from the Kentish Bank (Brenchley & Co.) of Maidstone for money to be remitted to Cobbs. Brenchley & Co. had received £400 in payment of a promissory note in Cobb & Son's hands. They asked Cobbs to forward the note to Esdailes who would then debit their account.[2] Another example is given by the account of Henry Card of Sapey Rectory near Worcester who kept his account at Margate but regularly had sums remitted to the Worcester Bank.[3] When, in 1815, he was appointed to the living of Great Malvern Abbey he embarked on an ambitious restoration programme. Finding himself short of cash he asked for a loan from the Margate Bank which was granted by Cobb & Son discounting a bill at four months, and paying the amount through the hands of Esdailes.[4]

A final example is the case of a Mr. Lupton Topham of Middleham in Yorkshire who in 1830 used this system of inter bank credits to pay bills in Margate.

> "I have this day paid into the Wensleydale Bank the Sum of Seventy pounds and they will by this days post order their Bankers Messrs Hankey to pay the same to Sir James Esdaile & Co to the credit of the Margate Bank. The above sum will enable you on my account to discharge the following Bills, viz.

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1. KAO, U1453/B3/14/7, 2 April 1836.
2. Ibid., U1453/B3/15/221, 23 March 1789.
3. Ibid., U1453/B3/15/319, 24 June 1814.
4. Ibid., 21 June 1815, 30 January 1816, 3 February 1816, 29 August 1816.

| | |
|---|---|
| For Rent | £13.13s.0d. |
| Mr Waddington | 15. 7. 0. |
| Undertakers | 26. 7. 6. |
| Appraiser | 1. 1. 0. |
| Sally's mourning | 5. 0. 2. |
| | 61. 8. 8. |

> and leave a balance of £8.6.6. which you pay to Sally in part of her demand, the balance I will pay to her when she comes into Yorks$^{re}$."[1]

Different methods of transferring funds were available, and two are illustrated by the account of Hugh Stuart Boyd, who in 1818 and 1819 was living near Fitzroy Square in London, and later at Malvern Wells in Worcestershire. There is evidence that he kept an account at the Margate Bank until 1837 into which his income was paid, mostly consisting of 'Irish bills', which were probably the rents from some Irish estates. While in London, he gave Cobbs regular orders to transfer part of his account to Esdailes, but he would not open a London bank account, writing in 1818;

> "I had rather they [his Irish bills] remained in your hands, than in the hands of a stranger in London."[2]

When he moved to Malvern Wells his remittances were made either by Bank Post Bills which he could then cash at a local bank, or in Bank of England notes split in two and sent by two separate posts. These were not however, the methods of remittance preferred, both being expensive, and the latter risky as well. In November 1829, Cobb & Son sent the

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1. KAO, U1453/B3/15/1966.

2. Ibid., U1453/B3/15/193, 17 July 1818.

following note;

> "Pray can we not continue to make your Remittances as you may require thro' any Bank in your neighbourhood if you will name any such to us. We mention this from knowing that Postage comes heavily for every occasion for thus sending you Cash which we should wish to avoid for your acct if practicable."[1]

Remittance by a bill on London remained common in the nineteenth century and was probably most commonly used by those who did not keep regular cash or current accounts.

The superior currency of bills on London is illustrated by two letters from George Sayer of Sandwich in 1788. Sayer had received ten of Cobbs' "nine Guinea bills" (most probably Margate Bank notes) but he found that the traders of Sandwich would not take them and so asked Cobb & Son if they would exchange them either for Bank of England notes, or for gold coin.[2] Cobbs chose to send gold coin but twelve of the guineas proved to be too light to be acceptable in Sandwich and ultimately the account had to be settled by a bill on London.[3] John and Anne Hounsell, Ropemakers of Bridport, collected their debts from fishermen in Margate, Broadstairs and Ramsgate by requesting the fishermen to pay their accounts into

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1. KAO, 15 November 1829. Remittances by banknotes cut in halves remained popular in the middle of the 19th century and may have been encouraged by the reduction in postal charges on the introduction of the penny post. One paper maker in Maidstone, for instance, preferred to receive payments from his agents by this method, Hayle Mill Archives.

2. KAO, U1453/B3/15/1699, 18 June 1788.

3. Ibid., 26 June 1788

A Draft on Esdailes used by Customers for Remittance

Octr 8

No 222 — £20 — —

Margate ISLE of THANET Bank

At Seven Days after Sight pay to the order of Mr John Jenkins — Twenty Pounds

value recd of Him as Per advice

Margate the 16th day of Sept 1791

To Sir James Esdaile, Esdaile,
Sir Benjn Hammet, Esdaile
& Hammet Bankers
London.

28 Sept 91

KAO, U1453/B3/12/7.

Cobb & Son, who then remitted the amount by a bill on Esdailes at thirty days'date.[1] One Margate man who made his payments by bills on Esdailes was William Morrison who had accounts to pay in Sunderland,[2] although by October 1830 he had opened a cash account with Cobb & Son and asked for funds to be remitted to Sunderland via Esdailes and J. Backhouse & Co.[3]

Similarly, visitors to Margate who did not normally have an account with the Margate Bank but wanted to draw money while staying in the town would do so usually by discounting a draft on a London banker. Many of these drafts were on Esdailes, but even when on another bank, the account would usually be settled by a payment to Esdailes on account of the Margate Bank. Visitors would usually be introduced to Cobbs by a letter of credit giving a specimen signature and authorising the holder to draw up to a specified amount. One such letter was issued by Ransom, Morland & Co. to Rev. Lewis Guerry on 1 July 1802.

> "Our friend the Rev. Lewis Guerry will have occasion for some supplies of Money, which we request the favour of you to furnish him with to the extent of £200 (two hundred pounds) against his Drafts on us which will meet due Honour."[4]

One customer introduced by Esdailes was Lady Durrant in June 1794,

> "Please to furnish Lady Durrant with what Cash she may want at Margate and take her drafts on Messrs Gomerell, Lubbock & Co. for the same."[5]

Lady Durrant was a particularly favoured customer, for it was more common to specify an upper limit to the amount of credit given, as was the case with Charles Harvey in 1794;

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1. <u>KAO</u>, U1453/B3/15/991, 26 November 1811.
2. <u>Ibid</u>., U1453/B3/15/1358, 8 April 1830, 16 August 1830.
3. <u>Ibid</u>., 5 October 1830.
4. <u>Ibid</u>., U1453/B3/15/1572, 1 July 1802.
5. <u>Ibid</u>., U1453/B3/14/7, 9 June 1794.

"Please to furnish Chas. Harvey Esq., with two hundred pounds or any part of it, and take his drafts on Messrs. Williams, Son & co. for the same."[1]

All payments between banks in different parts of the country, by bills, draftsor cheques were settled through their correspondent banks in London. Banks in north east Kent, including Austens of Ramsgate,[2] May, Wyborn & Mercer of Deal[3] and Harveys of Sandwich[4], that had a large volume of business with Cobbs, would exchange their bills, drafts and cheques locally and only transfer the balance in London, but with other banks the accounts were entirely balanced through London. This was the case with a bank as close to Margate as the Faversham bank of Bennett & Co., which in 1800 and 1801 sent a number of bills drawn by Woolton on Cobb and Becher on Cobb to the Margate Bank with the request that the amount be paid via Esdailes to their London correspondents, Williams & Co.[5] Other banks in Kent operating this latter practice include Bax, Jones & Co.,also of Faversham[6], and the Kentish Bank of Maidstone and Gravesend.[7] One of the many examples of banks from further afield with whom Cobbs made transfers in this way is J. Backhouse & Co. of Newcastle, Sunderland and Stockton on Tees, who between 1827 and 1830 were sending bills on a Margate coal merchant, named Foster, which were settled

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1. KAO, loc.cit., 22 August 1794.
2. Ibid., U1453/B3/14/1, 26 February 1800, 25 June 1805.
3. Ibid., U1453/B3/14/15, 12 December 1805, 9 March 1807.
4. Ibid., U1453/B3/14/12, 13 March 1800, 26 November 1800.
5. Ibid., U1453/B3/15/123.
6. Ibid., U1453/B3/15/96.
7. Ibid., U1453/B3/15/221.

through Esdailes, the mutual correspondent of Backhouse and Cobbs.[1]

Bills of exchange involved a considerable amount of work; they had to be presented for acceptance and payment, and then, if necessary, noted and protested for non payment. In December 1795, for instance, Esdailes presented a bill on Mathews of Bath £15 for payment on Cobbs' behalf. They at the same time informed Cobbs that the money paid for bills in Bath or Bristol would not be received in London until twenty days after the bill was paid, presumably because the banks in that area remitted the money to London by drafts on their correspondents at twenty days date.[2] In the previous month, Esdailes similarly collected a payment on a Navy bill on behalf of Cobbs.[3] Sometimes, though less frequently, Cobbs would be asked to transact bill business on Esdailes' behalf. Esdailes' letter of 10 November 1795, for instance, enclosed a bill of £15 at six days sight on. T. Curling of St. Nicholas in the Isle of Thanet which they asked Cobbs to present for acceptance and then receive the amount on their behalf when paid.[4]

All bills, other than those where the acceptor lived locally, were generally left at Esdailes to be presented, and the payments collected at maturity. These bills were 'entered short' and would not appear in Cobbs' cash account until they had been paid.[5] The legal aspects of this practice were clarified by the Court of Chancery in Boldero's case in 1810, where it was found that bills remitted to a London banker to be presented for payment on behalf of a country bank were not part of the general London account, but remained the property of the country

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1. KAO, U1453/B3/15/54.
2. Ibid., U1453/B3/14/7, 3 December 1795
3. Ibid., 7 November 1795.
4. Ibid., 10 November 1795.
5. Ibid., U1453/B3/15/373.

banker. This meant that in the event of the London agent becoming bankrupt, such bills could not be divided among its creditors, in contrast with the cash account, but had to be returned to the country bank.[1] An important exception to this rule was if the country bank was overdrawn on its cash account. In this case, the London banker would have a lien on the bills, and if either the London or country banker stopped payments, the bills would remain the property of the London banker to the extent that the account was overdrawn.[2] For this reason Esdailes' appear to have insisted that any overdraft should be covered by undue London bills.[3]

If any bills were dishonoured, Esdailes might assist in procuring a settlement. Such a case occurred in 1787 when the Margate Bank had discounted a good many accommodation bills which were subsequently dishonoured. Esdailes played an important part in the negotiations with the debtors and informed Cobb & Son that;

> "Mr Hague with Tolson & Rush have been with us this morning and proposes to make over about £2,500 as an additional Security to sundries amounting to £6,000 and requesting time of 12 Months. If the other Creditors agree we shall make no objection if you don't. The £200 returned Mr Tolson assures us Mr Le Grand will pay. You must apply to him. If he does not pay we shall arrest him and you must get a collateral security for the bills he is engaged for. Mr Sawkins [Cobb & Son's solicitor in Margate] should write us what he has done."[4]

In the case of another dishonoured bill in that month, Esdailes acted as advisors to Cobb & Son and recommended they accept payment of a part of the bill, adding that, "if they offer a Bond as a Security, have it assigned over to you."[5] If necessary, Esdailes would offer

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1. English Reports Ex Parte Pease (in the Bankruptcy of Boldero & Co.), vol. 34, pp. 428-441.

2. Ibid., pp.429-30.

3. KAO, U1453/B3/14/7, 14 May 1787.

4. Ibid., 24 May 1787.

5. Ibid., 26 May 1787.

the services of their attorney to undertake any legal work, as they did in proving a debt of £350 on a note of a Mr Barrow under a commission of bankruptcy in August 1787.[1]

As well as providing the link for remittances between different parts of the United Kingdom, Esdailes also provided services for remitting money to and from the Continent. Being so close to the Continent, and with a steam packet operating in some years between Margate and Ostend, it is not surprising that the Margate Bank should have a considerable amount of Continental business. A particularly useful facility that Esdailes offered in connection with this business was the acceptance of bills and drafts on Cobb & Son's behalf. Such instruments were much more easily discounted if drawn on a large London bank than on a small country bank. London bankers were accepting bills on behalf of their country correspondents from the 1820s.[2] One regular Continental customer was John Lewis Levey who frequently drew drafts of up to £100 in favour of Lafitte & Co. of Paris, which were accepted by Esdailes from 1828 onwards.[3] Similarly, in December 1836, Robert Brooke of Wingham informed Cobb & Son that he had authorised a Mrs Williamson, who was

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1. KAO, U1453/B3/14/7, 2 June 1787, 18 August 1787, 29 December 1789.

2. Sayers, op.cit., p. 119.

3. KAO, U1453/B3/14/7; see for example 29 July 1828, 31 July 1828, 12 August 1828.

then staying in France, to draw "on Messrs. Esdailes to my account with you."[1]

Cobb & Son had connections with several firms on the Continent, and in some cases, Cobb & Son gave their customers letters of credit when they required cash in Europe, similar to those used by visitors to Margate. One such connection was Danoot,Fils & Co. of Brussels. In 1828, they supplied £60 to Thomas Wilcocks against a letter for £100 in exchange for drafts on Cobbs' account at Esdailes. It was important that the bill should be drawn on London,

> "As bills on Margate cannot be parted with here without much difficulty and expence we were oblig'd to attend to the above method and beg you will give the necessary instructions to your said Bankers for the payment of Mr. Wilcocks draft, which otherwise would have been subject to extra expence."[2]

For some parts of the world the remittance of money was more complex, but Esdailes would advise Cobbs on the best method. In 1836, for instance, they advised that remittances to the United States were usually done by letters of credit on either Baring Bros. or Thomas Wilson & Co. which Esdailes offered to procure on Cobb & Son's behalf.[3] Similarly, in 1806, Esdailes advised that any sums for Verdun could be sent through Coutts & Co.[4]

Several of Cobb & Son's connections on the Continent engaged in foreign exchange transactions. These were usually settled by a bill on Esdailes . Danoot, Fils & Co., in the latter half of 1788, for instance,

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1. KAO, U1453/B3/15/245, 7 December 1836.
2. Ibid., U1453/B3/15/507, 12 August 1828.
3. Ibid., U1453/B3/14/7, 3 March 1836.
4. Ibid., 20 September 1806.

sent ten loads of 10,000 French crowns from Brussels to Margate to be forwarded by Cobbs to London, for which Danoot & Co. drew a bill on Cobbs payable in London at five weeks after the date of the crowns leaving Brussels.[1] Later, in 1815, Cobb & Son were conducting exchange business with at least two gentlemen in Ostend. One was J.B. Vandammer, who on 11 August sent the following;

"Donné au Cap^e Fox de Margate
par J.B. Vandammer
d'Ostende

| | | |
|---|---|---|
| £47.14.6. | en argent anglais | £47.14.6. |
| 11 | banknotes de £1 | 11. 0.0. |
| 2 | Irlandaise de £1.2.9. | 2. 5.6. |
| | | 61. 0.0. |

pour avoir un effet sur Londres
à un mois pour le montant."[2]

Vandernabeile & Co. similarly agreed to send English bank notes and silver to London via Margate taking drafts on Cobbs in exchange at thirty days' date payable in London,[3] but they later found that they could receive a better rate of exchange on the drafts if they were drawn at fifteen days' sight. Since this would reduce Cobb & Son's remuneration for the business, Cobbs were paid a commission by way of compensation.[4]

Through these various modes of remittance both within Britain and overseas, the banking system was able to reduce substantially the risk and cost of making remittances, thus promoting trade and encouraging the growth of an integrated national and international economy. Stuckey,

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1. KAO, U1453/B3/15/507, 13 June 1788.

2. Ibid., U1453/B3/15/2006, 11 August 1815.

3. Ibid., U1453/B3/15/2007, 24 July 1815, 31 July 1815.

4. Ibid., 8 August 1815. The period was later reduced to 10 days, 18 September 1815, 11 December 1815.

for instance, noted how it was no longer necessary for revenue officials to transport money physically to London with an armed guard.[1] For Gilbart, improved remittance facilities encouraged economic growth in two ways, "First by diminishing the price of commodities... [and secondly] by enabling capital to revolve more rapidly".[2] Banks, he claimed, could remit money more cheaply than it could be remitted any other way. As to the increased turnover of capital, this was made possible by the increased speed of remittance. A remittance from Margate to London, for instance, could be made more quickly by Cobbs ordering a credit at their London agent, than by the three posts required to remit money by Bank of England notes cut in half, viz., one post for the first half, one to acknowledge its receipt, and a third post to send the second half of the note. Just as transport improvements encouraged growth by reducing the quantity of stock in transit and the need for large stocks in warehouses, so banks helped the businessman economise in the use of working capital by reducing the amount of cash tied up in remittances.[3]

These facilities were not completely new. Some country traders, like Francis Cobb, offered remittance facilities by bills on London before the rise of country banks. Such traders would usually discount bills, another cheap and quick means of remittance. Nevertheless, the rise of country banks would have increased and improved such facilities. With their access to much larger funds through their note issues and deposits, together with the creation of a national banking structure providing a link between every town in the country, the business

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1. BPP, Minutes of Evidence, Secret Committee on the Bank Charter, 1831-2, vol. VI, Q. 978.

2. Gilbart, *op.cit.*, vol. 1, pp. 140-1.

3. *Ibid.*, p. 141.

of remittance and the use of bills of exchange must have become much easier, more certain and cheaper.

Customers paid for remittances either by taking a draft at, for example, a month after date, thus giving Cobbs use of the money for that period free of interest, or by paying a commission. Alternatively, the two methods could be combined as has been noted with some remittances from the Continent. It is difficult to discern a standard scale for Cobbs' commission charges, the reason being that the bank's books do not provide sufficient relevant information. It is nevertheless clear that commission charges rarely rose as high as 1% and were more commonly below 0.5%. The following are the commission charges entered in the 'Bank Ledger' for February and March 1808.[1]

| | Amount of cheque or draft | Commission | % |
|---|---|---|---|
| Thos Broome, check Esd & Co | £28.2.6. | 1s. | 0.18 |
| Thos Broome, check Esd & Co | £35.7.1. | 1s. | 0.14 |
| Thos Broome, check Esd & Co | £24.1.9. | 9d. | 0.16 |
| Buxton & Co, check Esd & Co | £20.0.0. | 1s.8d. | 0.44 |
| Lewis Evans, draft Esd & Co | £19.2.6. | 6d. | 0.13 |

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1. LBA, A20, b/6.

The figures for October 1818 show little change, although commissions on acceptances at Esdailes were a new type of transaction.[1]

| | | | |
|---|---|---|---|
| S. Benbow, acceptance at Esd | £22. 3.8. | 2s. | 0.45 |
| C.F. Forster, bills at Esd | £72. 7.5. | 2s.6d. | 0.17 |
| G. Jell, acceptances | £32. 1.0. | 3s. | 0.47 |
| T. Copley, cash at Esd | £129. 9.1. | 5s. | 0.19 |
| Mrs. Willis, cash paid to Glyn & Co | £10. 0.0. | 2s. | 1.00 |
| C.F. Forster, acceptance at Esd | £30. 0.0. | 1s.6d | 0.25 |
| L.B. Parkyns, acceptance at Esd | £50. 0.0. | 1s.6d. | 0.15 |
| J. Foat, cash at Esd | £21.11.9. | 1s.6d. | 0.35 |

One of the most important functions of the London account was as a cash reserve. As has been seen, only a small amount of cash was kept in the bank at Margate, and only when the cash account in London was included did the cash reserve generally exceed 10 per cent.[2] The importance of the London account as a reserve is further illustrated by the fluctuations reflecting the seasons and the more serious disturbances in the national economy. In the late eighteenth century and the first decade or so of the nineteenth century the account could swing dramatically, as has already been noted with regard to those caused by fluctuations in the general economy.[3] Seasonal fluctuations are apparent in most of in the years between 1785 and 1814, with peaks most commonly occurring in October (in ten years) and the second most common months being August

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1. LBA, A20 b/36; see also 'Left Books', A20 b/18, A20 b/19, A20, b/20.

2. See pp. 107-8 above.

3. See pp.91-102above.

and September (each in four years). The low point of the account most commonly occurred in June (in eleven years) or May (in eight years).[1] This is as one would expect for a town like Margate dependent on agriculture and the holiday trade. Those engaged in the holiday trade would tend to reduce their bank deposits and take out bank loans in the Spring and early Summer to buy up stocks and improve property for the Summer when most business would be done, leading to increased deposits in the Autumn, a portion of which Cobb & Son would invest in London. Similarly, farmers would find their resources most severely stretched in the Spring and early Summer, with the bulk of their receipts coming in after harvest in the Autumn.

Esdailes were willing to let Cobb & Son overdraw their account. In 1787 they wrote to Cobbs saying;

> "We shall certainly be under no alarm at our being under advance to you, tho' contrary to our general rule, as we suppose it only a temporary matter.... Altho' we should not imagine the smallest danger from our being in advance for you, yet was it to be perpetual & constant it would be a mode of conducting business that would not be pleasant to us & we trust you do not mean."[2]

On some occasions Cobbs appear to have used this facility to delay restricting their circulation, loans and advances with a view to helping their customers over the difficult months of the Spring and early Summer. This happened in June 1805 when Francis Cobb II explained.

> "When the writer had the pleasure of conversing

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1. KAO, U1453/B3/11/1-63. See appendix 5.

2. Ibid., U1453/B3/14/7, 21 April 1787.

> with your Mr J.E.H. [James Esdaile Hammet ] on the subject in question, [Cobb & Son's overdrawn account] I ment'd that we sh'd not feel any effects of the return of our season till the latter end of July at which period We certainly hope to be able to reduce the Ad ce and in one month after pretty well, if not altogether, to have cleared it - We consider ourselves much obliged by this accommodn which has enabled us to help many of our customers at this time of the year & which We find to be particularly to our Interest as well as necessary to be done to keep them our Friends."[1]

When Cobbs were overdrawn they would be subject to extra controls from Esdailes. Normally, Esdailes left the Margate Bank to run its own affairs. James Esdaile Hammet gave the Select Committee on the Resumption of Cash Payments of 1819 some indication of how their country correspondents were left to manage their own affairs.

> "I consider a Banker in London cannot precisely ascertain the Circulation of his Country Correspondents, it being a question he would never think of asking, unless he was required to support them in case of need."[2]

Support in time of need entailed close consultations between the country banker and his London correspondent. On such occasions Cobbs might be given guidance on the paper they were discounting. In 1787, Esdailes claimed that this was for Cobbs' own good.

> "We beg you will consider that when we caution you against any particular paper, it is for your security & not our own that we mention it, As we have the utmost reliance on your honor and honesty."[3]

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1. KAO, U1453/B3/14/7, reply to letter of 20 June 1805.

2. BPP, Minutes of Evidence, Select Committee on Resumption, HC, 1819, vol. III, p. 97.

3. KAO, U1453/B3/14/7, 21 April 1787.

While the Margate Bank may at times have been preoccupied with the local problems of seasonal variations, when these coincided with national economic difficulties causing Cobbs to overdraw their account, Esdailes were likely to be receiving similar demands from their other country correspondents which would necessitate the liquidation of a proportion of their investments and, if unchecked, would threaten to create difficulties and financial embarrassment for Esdailes themselves. This was a strong reason for their paying critical attention to the affairs of their overdrawn correspondents and attempting to ensure that the accounts were returned to credit as soon as possible. In 1805, for instance, the Margate Bank received a stiff letter from Esdailes on the state of its account instructing it to take steps to improve the situation by calling in advances and reducing its discounts, and inquiring when it would be returned to credit. This was soon followed by Francis Cobb II travelling to London to consult with Esdailes personally, and to remonstrate with those acceptors and indorsers who had dishonoured their bills of exchange.[1] Compelling the Margate Bank to follow Esdailes' direction was, no doubt, the threat that the London bank might refuse to pay its notes or drafts. Such action had been taken with other country banks and was the occasion of the bankruptcy of quite a few, including the Stockport Bank in 1793, the Windsor Bank of Brown & Coombs in 1816, and the Taunton bank of Brickdales & Co. in 1819.[2] The Margate Bank itself came perilously close to such a state of affairs in 1787.

This largely arose from the discount of accommodation bills, a marked feature of this year generally, reaching a peak in the City in 1788 with

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1. KAO, loc.cit., 20 June 1805, 30 July 1805, 19 October 1805.

2. Pressnell, op.cit., pp. 120-2.

the collapse of the textile firm of Livesey, Hargreaves & Co.[1] The problems of the Margate Bank were largely confined to the first half of 1787. In January of that year Esdailes began to warn Cobb & Son about the quality of some of their bills. "With respect to the two £300 bills you have sent, could we see you we could say more than we chuse to write."[2] By March, a few bills were being dishonoured and Esdailes gave out specific warnings against taking any more paper of Rush & Tolson or Hague. Esdailes held a cash account of the latter, and after two bills, each over £200, had been returned unpaid at the beginning of April, commented that, "We hope it will not be so, but we fear others may be returned likewise."[3] On 31 March, Esdailes sent the first of a series of forceful letters;

> "We have repeatedly hinted to you our [views] on the remittances you make to us & we must say we have daily more occasion to advise you on that subject. We make no doubt that you are careful respecting the endorsers & indeed they ought to be of the most undoubted & unequivocal good property. Let us beseech you to stop your hands for a little time, we mean with respect to that paper of which you are constantly sending up & not to a small amount & which appears to be entirely accommodation to the parties & not given for real business done. We trust you will excuse our freedom but we think there is great danger & that we have too certain ground of our opinion.
>
> If you have got so far in with this as not to be able to stop taking more bills without immediate injury to the parties & to appearance a loss to yourself, it will be undoubtedly best to make that step now as you will by delay only incur perhaps a double or a triple one, for we have always found the first loss least."

In a postscript they added;

> "We must go further & say that if you do not stop sending such paper, We shall think it our duty to refuse them."[4]

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1. Pressnell, op.cit., pp. 91-2; J.K. Horsefield, Gibson and Johnson: 'A Forgotten Cause Célèbre', Economica N.S. vol. X, August 1943. For a discussion of accommodation bills and Cobbs' use of them see chapter 6.

2. KAO, U1453/B3/14/7, 11 January 1787.

3. Ibid., 22 March 1787, 3 April 1787, 7 April 1787.

4. Ibid., 30 March 1787.

During the course of April and May the number of bills being dishonoured increased, and some of the parties, including Hague, Rush and Tolson were made bankrupt. This caused a drain on the reserves of the Margate Bank and the account at Esdailes reached its lowest for this crisis in April and May 1787. Esdailes were particularly concerned about this because it was not covered by bills 'entered short' to the account.

> "The state of your account is £6,200 overdrawn in Cash & you have not Bills to the amo[t] of above £1,300. Our JEH explained to you both at Margate & here, What was meant by an Accommodation. He never could conceive that we sh[d] not be covered for any Bills you might draw & in such cases we were ready to accommodate you with 5 or £10,000.... We desire that you will send up what Bills you have by you & make an immediate remittance in cash."[1]

Cobbs' reply was evidently unsatisfactory as two days later Esdailes sent an even stronger letter. Cobbs had continued to support their customers by discounting accommodation bills, but instead of paying cash or notes, had given drafts on Esdailes. Such a practice, far from leading to an improvement in the London balance, could only lead to a deterioration.[2]

> "Your last favour we have rec[d] which is very far from satisfactory <u>on your acc[t]</u>.
>
> We could not but conceive that your son knew of the necessity of not allowing of Accommodation Paper such as you are drawing upon us for Bills given to you.
>
> We desire that you will not draw another Bill upon us unless it is for cash paid to you & which you can forward to us, for till we are cover'd we shall accept no more.
>
> We also desire that you will forward us all the Country bills you mention to cover us till some of the Bills we have accommodated you with the cash for is run off.
>
> One of you must come to town directly, not only to prove all your debt, but bring with you every Bill &

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1. <u>KAO</u>, <u>loc.cit</u>., 30 March 1787.

2. <u>Ibid</u>., 14 May 1787.

3. Esdailes may well have been conscious of the Ayr Bank of Douglas, Heron & Co. which had tried to maintain its level of advances by giving bills on its London correspondent. This was one of the factors that led to its collapse in 1772. S.G. Checkland, <u>Scottish Banking, a History 1695-1973</u>, (1975), pp. 124-34; C.W. Munn, <u>The Scottish Provincial Banking Companies</u>, (Edinburgh, 1981), pp. 29-36.

security which you have rec[d] either in the Country or London - Mr Tolson or anyone else - That we may exert our best address to get you out of the scrape which you have got yourselves into, so absolutely contrary to our directions and expectations. But for God's sake draw no more Bills which you are not sure are as good as the Bank & which you can first send to us for approbation.

We repeat our earnest direction that you will not give your notes but for Cash, nor draw upon us without first having our approbation.

Let us see you without fail on Friday morn[g] with the needful."

The ultimate threat came in another postscript; "We desire that you will immediately make us a remittance or we shall pay no more of y[r] Notes."[1]

The last known occasion when Cobb & Son overdrew their account at Esdailes was in 1812. From that time on fluctuations in the account became less severe. No statement refusing permission for Cobbs to overdraw exists, while others of Esdailes' correspondents are known to have overdrawn in the 1830s. Nevertheless, London banks were generally becoming more aware of the dangers of a sudden demand for cash from their country correspondents. This was manifested in Esdailes' case by their attempts to discourage Cobbs from accumulating large positive balances after 1820. The second factor, not unconnected with the first, was the development of a secondary reserve of bills supplied by the bill-brokers, and, from 1829 the development of a deposit account with Overend Gurney, which could be used to accommodate fluctuating demands for cash.[2]

The other main function of the London account was as an investment. Esdailes always had provisions for the payment of interest on the account of the Margate Bank. James Esdaile Hammet explained in 1819 how the

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1. KAO, U1453/B3/14/7, 16 May 1787.

2. See pp. 107-110.

balance of their country bank accounts was invested, from the profits of which they were able to pay the interest.

> "We employ them by discounting Bills of Exchange, and by lending Money upon Stock; but principally, when we can obtain them, in Bills of Exchange... Scarcely ever in Exchequer Bills, and very seldom indeed in the Stocks when we can procure Bills."[1]

In this way London bankers formed part of the mechanism by which the savings of the agricultural areas that could not be invested profitably locally, were made available for the finance of trade in the growing industrial areas. There is no evidence though, to suggest that Esdailes acted as agent in supplying Cobbs with bills of exchange for investment or government stocks. For these purposes Cobbs employed their own stock brokers and bill brokers. The evidence of George Carr Glyn in 1832 to the Secret Committee on the Bank of England Charter suggests that this was the general practice by the 1830s.

> Q.2935 "Do you employ the country bankers' funds for them? - Generally they seek their own employment for it; and it is almost invariably employed either in Government securities, or through a bill broker."
>
> Q.2936 "Does the country banker effect that employment of his funds through you? - No, he does it directly with the bill broker."
>
> Q.2937 "Then he gives that bill broker a credit with his London banker for any surplus funds he may have? - Yes."[2]

The payment of interest on positive cash balances was regulated by the market rate of interest in London and the method by which Esdailes were remunerated for their various services. In the early years Cobb & Son paid Esdailes no commission, but agreed to lodge a fixed sum with them

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1. BPP, Minutes of Evidence, Select Committee on Resumption, 1818, HC, vol. III, p. 98.

2. Ibid., Secret Committee on the Bank of England Charter, 1831-2, vol. VI, QQ. 2935-7.

without interest. The records suggest that this was initially £1,000, but in 1790 it was increased to reflect a fall in the rate of interest in London.

> "We have not mention'd to you the alteration we have been under the necessity of making from the state of the money market which is & has been for 12 months past. It is impossible to get more than 4 p.Cent, on which account we are obliged to have an increase of the lodgement with those of our friends for whom we invest. Yours was £1,000 but since the 1st Ultimo we have added £1,000 more, the reasonableness of so doing we doubt not will be very obvious as we take all the risk upon ourselves of what we invest. We should have mention'd this circumstance to you but thought to have had the pleasure of seeing one of the Gentlemen in Town."[1]

Interest was paid on deposits above this amount, and charged when the balance went below it. Esdailes based the level of remuneration they required on the turnover of the account, and this was the reason they gave for a further increase in interest free lodgement they required from January 1804. In the previous twelve months the turnover of Cobbs' account exceeded £280,000. They noted that where banks charged commission it was usually at the rate of $^1/_8$ per cent. which would amount to £350 per annum, or, if at $^1/_{16}$ per cent., to £175. They therefore asked Cobbs to increase their interest free lodgement to £4,000.[2]

By 1811, Esdailes had altered their arrangements to charging a fixed commission rather than requiring an interest free deposit.[3] According to

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1. KAO, U1453/B3/14/7, 4 February 1790.

2. Ibid., 17 January 1804.

3. That the interest-free deposit was no longer required is suggested by the figures for interest paid on the account. See, for example, LBA, A20. b/12 pp. 61-4; together with, KAO, U1453/B3/14/7, 15 November 1821.

evidence collected by Professor Pressnell, the most common basis for calculating a fixed commission charge on country bank accounts of the 1790s was $^1/_8$ per cent., (0.125 per cent.) of turnover. This was the figure used by Down & Co. on the account of the Sleaford Bank, and by Cocks, Biddulph & Co. with the Honiton Bank.[1] Looking at a later period, Professor Sayers suggested that the most common figure for the late 1820s and the 1830s was 9d. per cent. (0.0375 per cent.), although he also found that Barnett Hoares in the 1840s usually charged 1s. per cent.(0.05 per cent.). (In 1844, Barnett Hoares' commission charge on Cobbs' account worked out at 0.025 per cent. and was a concession "for the sake of a long connexion.")[2] That there should be a discrepancy is not surprising. Henry Thornton had stressed in 1802 how the expansion of banking in the late eighteenth century had made it possible for commission charges to be reduced,[3] while Professor Sayers also suggested that the competition of the new joint stock banks of the late 1820s and 1830s added to the "tendency for commissions to be trimmed rather closely in these middle decades of the century".[4] A third reason would be the general retreat from the practice of paying interest on country bank accounts.[5]

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1. Pressnell, op.cit., pp. 407-9.

2. Sayers, op.cit., pp. 136-7.

3. H. Thornton, An Enquiry into the nature and effect of the paper credit of Great Britain, (ed. F. von Hayek, 1939), pp. 172-3.

4. Sayers, op.cit., p. 137.

5. See pp. 158-60.

The figures for Cobbs provide a link between these observations of the 1790s and the 1830s. In the first three years for which figures are available, 1811 to 1813, the commission charge exceeded $^{1}/_{10}$ per cent. In the two following years the annual commission was reduced from £400 to £300, and then to £200, so that it amounted to 0.061 per cent. and 0.06 per cent. in 1815 and 1816 respectively. The turnover of the account increased markedly in 1817 and 1818 so that in 1819 Esdailes pressed for an increase in the charge. Cobbs however, objected and a compromise had to be reached. In June, Esdailes wrote the following letter;

> "We could not help thinking you would not have considered £100 per annum addition as unreasonable, but at the same time we do not wish to further press our application to that Extent and therefore accede to your proposal of £50 to commence from January last, [the increase was actually only back-dated to April] subject to (which we are sure you will admit the propriety of) an alteration if your business should (which we hope it will to your advantage) increase."[1]

This increase only lasted until 1822 and amounted to 0.073 per cent. of turnover in 1820, and 0.08 per cent. and 0.092 per cent. in 1821 and 1822 respectively. In 1823 the commission charge was again reduced to £200 per annum which in the years 1823 to 1834 amounted to an average of 0.057 per cent.[2] This is quite close to the figure found by Professor Sayers for Barnett Hoare. That it is higher than the 9d. per cent. (0.0375 per cent.) he found for other banks is probably accounted for by the fact that Esdailes continued to pay interest on country bank balances when many other London bankers had stopped doing so.

Even so, from 1826, Esdailes ceased paying interest on the whole of a positive balance. In September of that year they would no longer

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1. KAO, U1453/B3/14/7, 10 June 1819.

2. LBA, A20 b/2. See appendix 5.

pay interest on balances exceeding £5,000, or on money paid in for excise duties and taxes.[1] This was partly an attempt by the London banker to reduce his cash liability, and partly because London bankers found it more difficult in the 1820s to find sufficient liquid and profitable employment to pay interest on large country bank balances. As early as January 1820, Esdailes were asking Cobbs to reduce the level of their cash balance, suggesting they employ more funds with their bill-broker.[2] Again, in 1824, Esdailes suggested that a portion of the balance should be employed elsewhere "as we find the facilities of employing money in a way satisfactory to ourselves not at all increased."[3] In the same letter there is some hint that Esdailes were in fear that large sums might be withdrawn at short notice for they inquired whether any part of the balance would be required in the immediate future.[4]

Such fears were confirmed in the financial crisis of the following year when the London banks experienced a rapid withdrawal of funds by their country correspondents. The experience of 1825 was clearly a strong factor in Esdailes' decision to restrict the payment of interest from 1826.

> "The great and increasing difficulties of employing money at this present moment in conjunction with our <u>earnest desire</u> founded upon the experience of the last year to diminish our liability to be called upon without notice for such large sums in cases of emergency."[5]

Many other London bankers reduced or abolished the allowance of interest on cash accounts after 1825. The paying of some interest, as with Esdailes, persisted for many years with some banks, but by 1832 it was thought to

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1. <u>KAO</u>, U1453/B3/14/7, 16 September 1826.
2. <u>Ibid.</u>, 11 January 1820.
3. <u>Ibid.</u>, 2 March 1824.
4. <u>Ibid.</u>
5. <u>Ibid.</u>, 16 September 1826.

have generally disappeared. When asked if London bankers allowed interest on the deposits of their correspondents, George Carr Glyn replied;

> "Now it is scarcely ever the custom to allow interest upon the money of the country bankers in the hand of the town agent; during the time of the war it was done to a large extent, but not now."[1]

It would appear that the Margate Bank's account at Esdailes was exceptional in receiving interest in the 1830s. The interest Cobbs received on their London balance was broadly determined by the rate of interest in the London money market, as clearly the rate Esdailes could pay depended on the amount they could earn through investing such funds. In 1821, they paid 4 per cent., and then from 1822 to May 1833 they paid 3 per cent. when it was further reduced to 2½ per cent.[2] On announcing the intended reduction of interest in 1821, Esdailes explained their reasons as follows;

> "From the state which the money market has been in all year obliging us not only to discount bills for the brokers at 4 p. Cent but also to be under the necessity of lending at 3 when it is for a short period, we reluctantly inform you that we cannot continue to allow more than the latter rate of interest after the conclusion of the present year. From the above facts it is obvious we cannot continue to invest at 4 p. Cent without a certain disadvantage independent of the risk which must always attend the employment of money."[3]

A similar explanation was given for the reduction in 1833.

> "The state of our Money Market, and the very low rate of interest are the best reasons we can offer for the alteration, and when we state the fact that Commercial paper at short dates can only be obtain'd at from 2 to 2½ p.Ct. and at longer dates at 3 we feel convinc'd you will see that the change is one of sheer necessity - We can assure you it is not one of inclination."[4]

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1. BPP, Secret Committee on the Bank of England Charter, (1831-32), Q. 2934.
2. LBA, A20 b/2; see appendix 5.
3. KAO, U1453/B3/14/7, 15 November 1821.
4. Ibid., 15 March 1833.

Cobb & Son's account with Esdailes performed three principal functions, as a means for remitting money throughout Britain and abroad, as a cash reserve and as a channel for investment. Through Esdailes, Cobbs were linked to virtually every other bank in the country and the banking structure reduced the risk, cost and the time taken for remittances, whether by notes, drafts, cheques or bills of exchange. In doing so the banking structure encouraged the growth of trade and the integration of the national economy. Secondly, as a cash reserve, the London balance was an easily realisable interest earning asset which could be used to adjust to the problems of seasonal fluctuations and the booms and slumps of the economy. The facility of overdrawing the account meant that its function as a reserve could be extended, although it was when a country bank's account was overdrawn that the London agent was most likely to give directions as to how the business should be run. Finally, the balance at the London agent was one way in which the funds of the country banks were invested in the London money market, providing a link between the net saving and borrowing areas of the country.

# CHAPTER 4

## Bill-brokers and the London Discount Market

Following the rapid growth of the country banks, there emerged a new group of specialists within the London money market. These were the bill-brokers, who not only acted as intermediaries between London financial institutions, but formed an important financial link between the agricultural counties of the south and east, where savings exceeded profitable investment opportunities and bills were relatively scarce, and the rapidly industrialising districts of the north where the volume of bills exceeded the volume of savings. This inter-regional connection was important throughout the nineteenth century,[1] but was noticed as early as 1810 by the foremost bill-broker of the period, Thomas Richardson. He noted that he received a large volume of bills from Lancashire in particular, and that they were remitted to such counties as Norfolk and Suffolk where the bankers had surplus funds to invest.[2]

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1. W. Bagehot, Lombard Street, (11th ed., 1894), p. 289.

2. BPP, Minutes of Evidence, Select Committee on the High Price of Gold Bullion, 1810, vol. III, p. 122.

There is little evidence of specialist bill-brokers before the last two decades of the eighteenth century. Instead, brokers combined both merchanting and financial functions and, before 1750, they appear to have acted primarily as agents between merchant and merchant, rather than between banker and banker or banker and merchant.[1] The term 'bill-broker' can be traced back to the late 1780s. In the bankruptcy case of Livesey Hargreaves in 1788, there is one of the earliest references to a bill-broker, a Mr. Goddard, who supplied the London bank of Gosling & Co. with one of Livesey Hargreaves' accommodation bills.[2] Little is known of the bill-brokers before the Napoleonic Wars apart from a few isolated references. In 1819, Samuel Gurney, referred to brokers having discounted bills at 4½ per cent. before the wars, while a pamphlet of 1821 claimed that the Goldsmids were discounting at 4 per cent. and charging 1/8 per cent. commission in 1791 and 1792.[3] The Goldsmids even appear to have acted as principals rather than agents, a practice that had to be abandoned when interest rates rose during the Napoleonic Wars.[4] Finally, there occurred, in 1793, the failure of the firm of Stephen and Samuel Barber, described as 'Bill brokers and Merchants'.[5]

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1. W.T.C. King, History of the London Discount Market, (1936), pp. 2-6; W.M. Scammell, The London Discount Market, (1968), p. 125; L.S. Pressnell, Country Banking in the Industrial Revolution, (1956), p. 90.

2. Pressnell, op.cit., pp. 91-94.

3. BPP, Minutes of Evidence, Select Committee on the Resumption of Cash Payments, 1819, vol. III, p. 178; S. Cope, 'The Goldsmids and the Development of the London Money Market during the Napoleonic Wars', Economica, New Series, vol. IX, 1942, pp. 180-206; F. Crouzet, L'Economie Britannique et le Blocus Continental, (Paris, 1958), pp. 622-627.

4. Cope, op.cit., p. 185; Pressnell, op.cit., pp. 91-93.

5. Pressnell, op.cit., p. 94.

According to Richardson, the most rapid phase for the growth of bill-broking dated from the Suspension of Cash Payments by the Bank of England in 1797. By 1810, Richardson, Overend & Co., by far the greatest bill-brokers of the period, were already discounting between seven and eight million pounds of bills a year, but, according to estimates by King, they had reached a turnover exceeding of £17,500,000 by 1813.[1] The general background encouraging this advance was an expansion of credit for most of the Napoleonic War period, a rapid growth in the use of bills of exchange, encouraged by high rates of interest, to finance industry and commerce, and the most dramatic phase in the increase in numbers of country banks. Four factors operating in this context to promote the development of bill-brokers were the rate of interest, the Usury laws, the practices of the London bankers in handling bills and the discount policy of the Bank of England.

High market rates of interest during the war years, resulting from the burden of public finance on the market, tended to pull funds towards the stock exchange where the buying and selling of public securities meant that rates of interest exceeding the legal rate could be earned quite legitimately. For many this meant a reduction of previous facilities for discount provided by such groups as the London bankers and merchants, as funds that had been available for the discount of bills were switched to investments on the stock exchange.[2] At the same time there was a growing demand from bankers in the areas of rapid industrial expansion for the negotiation of bills. The London banks, in their capacity as correspondents, would not normally provide the funds to bridge the gap between the

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1. BPP, Minutes of Evidence, Bullion Committee, 1810, vol. III, p. 123; King, op.cit., pp. 24-25.

2. Pressnell, op.cit., pp. 95-97.

demands for accommodation in the industrial areas and the available savings. London agents would sometimes provide loan or overdraft facilities to their correspondents, but this sort of activity was generally restricted to periods either when money was relatively plentiful in London, or when a correspondent was in need of assistance in a period of financial stringency.[1] Furthermore, when bills were paid into the London agent's account, they were not discounted by being credited immediately to the country bank's account (as was the general practice in the provinces), but were entered 'short' and only credited on maturity.[2]

Another source of discounts was the Bank of England, and indeed, in the early years of the war many did turn to the Bank for discounts with the result that the directors introduced a rationing system.[3] Discounts at the Bank, though, were limited by the strict regulations that were imposed. There were three main rules in this respect which left a wide scope for the activities of the brokers. Firstly, the Bank would not discount bills with more than sixty-five days to run. Two-thirds of the bills that passed through Thomas Richardson's hands came into this category.[4] Secondly, the Bank always insisted that all bills submitted for discount should bear at least two London names, whereas the majority of the bills sent to London from the country only had one London name.[5]

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1. Pressnell, op.cit., pp. 97-98.

2. Ibid., pp. 98-99; Ex parte Pease, (1812), 34 ER429; J.W. Gilbart, The History, Principles and Practice of Banking, (revised ed., 1882), vol. II, pp. 56-59.

3. Pressnell, op.cit., p. 95.

4. BPP, Minutes of Evidence, Bullion Committee, 1810, vol. III, p. 123.

5. Ibid., p. 123; King, op.cit., p. 12; Scammell, op.cit., p. 125. The Bank's rules were not, however, invariably enforced. See, I.P.H. Duffy, 'The Discount Policy of the Bank of England during the Suspension of Cash Payments, 1797-1821', Economic History Review, 2nd series, vol. XXXV, pp. 67-82.

Thirdly, the Bank of England put limits on the volume of discounting it would do for each of its customers. This was particularly inconvenient for those firms that found their business was concentrated at a particular season. This was explained by Richardson;

> "Some houses have more occasion for discount than others; the Bank only take a limited amount. The business of some houses arise principally at one period of the year when they make their sales; they then want larger accommodations than the Bank would afford them."[1]

The Usury Laws and high market rates of interest had one other important effect on the early development of the market. This was that the brokers acted as agents between those with surplus funds and those with bills for discount rather than as principals borrowing surplus funds to discount the bills themselves. The latter form of business became more common in the 1830's and developed into the modern discount market. Thus, in Bagehot's day, although the older form of bill-broking could still be found, (Bagehot describes it as the "archaic form" of bill-broking), the more common form was for bankers to deposit short term 'call money' with the bill-brokers, repayable on demand, or at very short notice, and to take bills, guaranteed by the broker, merely as a security. In some cases a third stage had developed where bankers deposited money with the bill-brokers without taking any security at all.[2]

The Usury laws, combined with high market rates, prevented the call

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1. BPP, Minutes of Evidence, Bullion Committee, 1810, vol. III, p. 123.

2. Bagehot, *op.cit.*, pp. 286-294. In the 1880s, Cobbs were mid way between the second and third stages. The brokers would "hypothecate" the bills to Cobbs to be held as security by letter and state that they were held on Cobbs' account. The more usual practice was for the bills to be either sent into the country or deposited with the London agent. LBA, A20 b/57, p. 27.

market from developing at an earlier period, although conditions were temporarily favourable in the early 1790s, with a low market rate of interest, before the outbreak of war with France in 1793.[1] During the war years, the market rate of interest, as reflected in the yield on Consols, fluctuated around the maximum legal rate of 5 per cent. Under such circumstances the bill-brokers would have had to pay 5 per cent on deposits. To make a profit they would either have to charge more than 5 per cent to those who wanted to discount bills, or to charge a commission. Both of these alternatives would have contravened the Usury Laws, the latter because it was illegal for the recipient of the interest on a bill to also charge a commission.[2] It was perfectly legal, however, for a broker acting as an agent to charge a commission. The Usury Laws and the market rates of interest acted

> "like a policeman at a cross-roads: one arm blocked the development of a call-market and the other kept the road clear for bill-agency work. [An opportunity existed for bill-brokers] ... concerned with commissions, with margins rather than with absolute rates of interest."[3]

Bills of exchange were a particularly attractive form of investment for the banker of the late eighteenth and early nineteenth century. Richardson explained in 1810 that his agency work for country banks consisted of both borrowing and lending on bills of exchange, although the sums advanced for country bankers were "fifty times more" than those borrowed.[4]

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1. Pressnell, op.cit., pp. 92-93.

2. Ibid., p. 89; P.W. Matthews & A.W. Tuke, History of Barclays Bank, (1962), pp. 111-115.

3. Pressnell, op.cit., pp. 89-90

4. BPP, Minutes of Evidence, Bullion Committee, 1810, vol. III, p. 122.

The virtues of bills of exchange were quite apparent to Adam Smith who claimed that money was "more readily advanced upon them than upon any other species of obligation".[1] This was particularly the case if, as was most common, the currency of the bill was limited to a period of one or two months. Since the majority of bills had a relatively short currency, they were well suited to the requirements of bankers who were subject to deposits being withdrawn without notice and having their notes presented for payment. A banker with a large investment in bills could easily arrange his business so that he always had a proportion of his bills reaching maturity at any one time. This would greatly ease the problem of adjusting his investments according to the movements of the rest of his business. Furthermore, if he was subjected to a strong and sudden demand for cash, he could either raise cash by rediscounting bills in the London money market, or deposit them as a security for a loan or overdraft from his London correspondent.[2]

Two further considerations that enhanced the attractiveness of the bill of exchange were its privileged legal position, and the relative probability of its being honoured, compared with other forms of debts, because of its 'self-liquidating' nature and the commercial pressures on acceptors to honour their bills. As an unconditional order to pay a debt at a specified time, failure to honour a bill of exchange was in itself sufficient to consitute an act of bankruptcy[3] and, at the very least, very

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1. A. Smith, The Wealth of Nations, (1910 ed.) vol. 1, p. 274.
2. Ibid., p. 272; Gilbart, op.cit., vol. I, p. 157; see pp.149-154.
3. Smith, op.cit., p. 274.

damaging to an individual's credit. One writer commented,

> "if a man dishonour his acceptance, his character is stamped at once in the commercial world as being either very poor, very negligent, or very unprincipled, and at no future time will he be able to raise money upon the credit of his name."[1]

If an acceptor failed to honour a bill, it could be taken to a notary to be 'noted' and perhaps 'protested'. The drawer and all the previous endorsers were all responsible for the payment of a bill dishonoured by an acceptor, and to fail to pay was, again, sufficient to constitute an act of bankruptcy and damaging to an individual's credit.[2] The liability of the acceptor, drawer and endorsers all gave greater security to a banker who discounted a bill. It encouraged prompt payment by an acceptor since whereas in the case of say, a book debt or other debts which were less commonly transferred, a creditor might be unwilling to lose the good will of his debtor by pressing for payment, a debtor would find it more difficult to dissuade all the parties of a bill from taking action. Hence, many persons who were "very tardy in paying a book debt", were "very punctual in paying their bills".[3] Furthermore, each name added to a bill improved its value as a security, for even if a banker had doubts about some of the parties to a bill, he might take the view that it was unlikely that they should all be unable to pay. Adam Smith commented;

> "Though all of them [the parties to a bill] may be very likely to become bankrupts, it is a chance if they all become so in so short a time. The house is crazy, says a weary traveller to himself, and will not stand very long; but it is a chance if it falls to-night, and I will venture, therefore, to sleep in it to-night."[4]

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1. Gilbart, <u>op.cit</u>., vol. I, p. 162.

2. <u>Ibid</u>., pp. 168-174; Smith, <u>op.cit</u>., pp. 274-275; M. Megrah, <u>Byles on Bills of Exchange</u>, (22nd ed., 1965), pp. 147-217.

3. Gilbart, <u>op.cit</u>., vol. I, p. 162.

4. Smith, <u>op.cit</u>., p. 275.

If all the parties to a bill were to go bankrupt, a banker could bring actions against all of them at the same time so that if there were six parties to a bill, for instance, the whole debt would be repaid if each estate paid on average only 3s. 4d. in the pound.[1] The consideration that bills of exchange were 'self-liquidating' was yet another factor encouraging the belief in their relative safety. Where a bill originated in an actual commercial transaction, the banker had the assurance that when the bill reached maturity, the conclusion of the commercial transaction would mean that the acceptor would have the funds to pay the bill. This was not a cast iron guarantee since an acceptor could be faced with difficulties in selling the goods he had bought or find that there had been an unexpectedly serious fall in the selling price. Such difficulties were not improbable given the effects of variations in the harvest and swings in the trade cycle. Nevertheless, bankers appear to have believed that bills arising from commercial transactions were, on balance, more likely to be honoured because of this self-liquidating characteristic.[2]

The popularity of bills is illustrated by the Cobb records which show that investments in bills always formed a significant proportion of total assets, rising as high as 41.8 per cent in 1827 and 32.1 per cent in 1828 on the eve of the opening of a regular 'deposit' or call-loan account at Overend & Gurney.

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1. T. Joplin, Examination of the Report of the Joint Stock Banking Committee, (2nd ed., 1837) pp. 17-19.

2. R.S. Sayers, Modern Banking, (5th ed., 1960), pp. 164-166.

| Year | Total Bills (£) | Bills as % of total assets (excluding the brewery) |
|---|---|---|
| 1808 | 11,866 | 13.4 |
| 1811 | 15,727 | 15.5 |
| 1812 | 15,003 | 16.3 |
| 1813 | 17,080 | 19.3 |
| 1814 | 27,900 | 24.8 |
| 1815 | 17,443 | 19.3 |
| 1826 | 23,821 | 26.3 |
| 1827 | 46,151 | 41.8 |
| 1828 | 33,449 | 32.1 |

Source: LBA, A20 b/12, General Cash Statements.

Good short-term bills drawn on London were generally scarce in agricultural districts. Vincent Stuckey testified, in 1819, that there was not much discounting done in rural Somerset,[1] and the same point was made by Thomas Richardson in 1810;

> "In some parts of the country there is but little circulation of bills drawn upon London, as in Norfolk, Suffolk, Essex, Sussex & C. but there is a great circulation of country bank notes... In Lancashire there is little or no circulation of country bank notes; but there is a great circulation of bills drawn upon London at two or three months date."[2]

The reasons for this scarcity of bills in rural areas sprang from the nature of agriculture itself. The slow turnover of business and seasonal pace of agriculture meant that few bills were produced in the normal course of trade while the demands for credit were mostly seasonal, and of a longer-term nature than the maximum two to three months preferred by bankers for a liquid asset. Country bankers still required such liquid

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1. BPP, Minutes of Evidence, Select Committee on Resumption, 1819, vol. III, HC, p. 245.

2. BPP, Minutes of Evidence, Bullion Committee, 1810, vol. III, p. 122.

assets as good London bills to guard against sudden withdrawals of deposits or fluctuations in their note issues. For this reason, many country bankers invested substantial sums on the London bill market at low rates of interest, after the Napoleonic Wars, while they could still earn a full 5 per cent, on their country investments.

The bill-brokers provided bankers that had a surplus of funds beyond what could be safely and profitably invested locally, with a kind of short-term asset that was greatly prized. An important aspect of this function was the discrimination between the different classes of bills according to the parties involved. The reputation of a good bill-broker rested on his ability to select first-rate bills that would be paid punctually, for, although the brokers of this period do not appear to have given any guarantee as to the quality of the bills they supplied, their success was dependent on this ability. This was explained by Thomas Richardson before the Bullion Committee in 1810. He stated that no guarantee was given for the bills supplied, but that he exercised a discretion with regard to the probable safety of each bill, returning those that were not considered to be safe. He was then asked,

> "Do you not then conceive yourselves to depend in a great measure for the quantity of business which you can perform on the favour of the party lending the money? - Yes, very much so. If we manage our business well, we retain our friends; if we do not, we lose them."[1]

He added shortly afterwards;

> "We find that the better our bills, the more readily we obtain money on discount, as more people are induced to take bills on discount instead of buying Exchequer bills, or vesting money in the funds."[2]

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1. BPP, Minutes of Evidence, Bullion Committee, 1810, vol. III, pp. 123-124.

2. Ibid., p. 124.

Successful bill-brokers rested upon their specialist knowledged of the credit of the parties whose bills they handled.

> "the relative credit of, merchants, [wrote Bagehot ] is a great 'tradition'; it is a large mass of most valuable knowledge which has never been described in books and is probably incapable of being so described."[1]

The reason for this was the continual change taking place in the credit standing of individual firms; a change which took place in all years, but could be particularly serious in years of economic crisis and general financial discredit such as 1825 and 1866.[2] In conclusion, it can be said that not only did the bill-brokers perform the important function of providing a link between those parts of the country that had surplus funds with those that were hungry for investment, but that they provided the bankers of the agricultural districts with an asset that was greatly prized for its safety and liquidity, and that by discriminating between the good bills and the rest, the brokers gave country bankers an assurance that made a great volume of paper discountable which might otherwise have been difficult to turn into cash.

Although the bill-brokers were no doubt of considerable value in the first two decades of the nineteenth century, Professor Pressnell has pointed out that there is a risk of over-estimating their importance. He referred to four factors qualifying their importance. Firstly, in periods when money was plentiful, the London banks were still willing to lend on country bills of exchange. Secondly, bill-broking was still an agency business. Thirdly, he doubts whether the bill-agency system was

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1. Bagehot, op.cit., p. 284.

2. Ibid., pp. 284-286.

very widespread in 1810. Richardson refers to most of his correspondents being in the northern and eastern counties only while "the various banking records do not modify this impression".[1] Fourthly, and supporting the third point, the size of Richardson's business was quite exceptional, "a giant amongst the pygmies".[2] Two other firms are thought to have been of some importance, but the rest were on a small scale, and frequently unstable.[3]

Cobb & Son were supplied with bills from three London sources; John & Thomas Barber between 1806 and 1812,[4] Robert Duncombe in 1818 and 1819,[5] and Richardson, Overend & Co., later known as Overend, Gurney & Co., from 1805 until 1866.[6] Of these, much has been written about Richardson, Overend & Co., but nothing about the other two.

The first of these, the Barbers of Denmark Hill and 11, Bucklersbury, London, were not specialist financial intermediaries, but were listed in the directories as wholesale linen-drapers and warehousemen.[7] Related to the Cobbs by marriage, they undertook some of the administration of the London business of the Margate Bank. This included the purchase and sale of government securities such as Consols, Exchequer bills, Omnium,

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1. Pressnell, op.cit., p. 102. Although the practice of some banks of merging the bills supplied by brokers with the rest of their bills would make the detection of the employment of a broker difficult in many cases. R.S. Sayers, Lloyds Bank in the History of English Banking, (1957), p. 180.

2. Pressnell, op.cit., p. 102.

3. Ibid., pp. 101-104.

4. KAO, U1453/B3/14/3.

5. Ibid., U1453/B3/15/588.

6. Ibid., U1453/B3/14/20; U1453/C9, 24 October 1805.

7. PO Annual Directory for 1805; PO London Diectory for 1812; Kent's Directory for 1811.

Navy bills, Victualling bills and Pilotage bills;[1] sending bills for acceptance;[2] assisting Cobbs in their applications for inclusion on the subscription lists for government loans[3] and in the sale of foreign currency. In December 1807, for instance, Barber sold 1,379 Dollars, 24½ "Fred$^{k}$ D'ors" and 22 Ducats at the market price for a total of £349.3. 9. This letter also notes that Cobbs were saved from having to pay the brokerage charge of 1/8 per cent.[4] With regard to the business in bills, it is difficult to judge the extent to which the Barbers were acting as agents for Cobbs or merely selecting bills from those offered by Richardson & Co. It is clear from some of the correspondence that they regularly selected bills from Richardson & Co. for Cobbs to discount. On 17 October 1807, for instance, John Barber wrote to say that he had been to Richardson's to look for a good bill at two months for about £950,[5] while on 25 January 1806 he took two bills from Richardson & Co., one a Navy bill and the other on Barclay & Co., presumably the London bankers, worth £1,474.6s. together.[6]

In the 'Bank Ledger' for 1808 to 1818 there is a separate account for bills discounted for John Barber between April and September 1808. The total face value of the bills so discounted amounted to £21,284 and the discount received to £213.15s. 5d.[7] The majority of these bills were

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1. KAO, U1453/B3/14/3, 1 December 1806, 17 March 1806, 2 July 1806, 19 November 1807, 24 January 1806, 2 March 1810. See 225-7.

2. Ibid., 1 December 1806, 29 January 1806, 17 February 1806, 6 March 1806.

3. Ibid., 10 March 1806, 13 March 1806, see pp. 234-5.

4. Ibid., 2 December 1807.

5. Ibid., 17 October 1807.

6. Ibid., 25 January 1806, see also pp.225-7 below for bills of the armed forces procurred by Barber from Richardson & Co.

7. LBA, A20/b6.

drawn on London bankers. As far as it is possible to be certain, it would appear that nineteen of the twenty-seven bills, with a face value of £17,594 were drawn on London bankers, and one other, for £500, was a barrack bill. All of them had only a short time to run, between one and three months, before they were due for collection.[1]

In contrast, Robert Duncombe's business with Cobb & Son was entirely as a bill-broker dealing in bills of exchange alone. The earliest reference to Duncombe is for May 1818 when he supplied Cobbs with two bills for £2,058.4s.[2] Between that date and September 1819 he passed 309 bills to Cobbs for discount, with a face value of £102,540.9s. 2d., and yielding £1,039.18s. 0d.[3] In 1819, Duncombe found himself in financial difficulties and had to apply to Cobbs for assistance. In September 1819, Cobbs advanced him £1,250, while the correspondence suggests that further advances were also granted.[4] As a security, Cobbs were given an insurance policy on Duncombe's life for £1,500.[5] This was not sufficient, unfortunately, to save Duncombe's business, for his last letters concerning his bill business are dated June 1820 and later letters indicate that he had changed his profession to that of a schoolmaster and opened a school at Orsett.[6]

A noticeable feature of the bills supplied by Duncombe is the high rate of discount at which they were bought. For most of 1818, the bills

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1. LBA, A20 b/6, see also the correspondence from the Barbers' clerk, R. Rybot, KAO, U1453/b/315/1666.

2. LBA, A20/b6.

3. Ibid.

4. Ibid; KAO, U1453/B3/15/588, 24 August 1819, 27 August 1819, 3 September 1819, 8 September 1819, 13 August 1819.

5. Ibid., 3 September 1819.

6. Ibid., 27 June 1820, 18 August 1836.

that Cobbs received from Overend & Co. yielded no more than 4 per cent. whereas those from Duncombe were discounted at either 4½ per cent. or 5 per cent. By September 1819, Overend & Co. were supplying bills at 4½ per cent., but those from Duncombe were at 5 per cent.[1] First rate paper could be discounted at lower rates. Bankers' paper was generally highly marketable, so when Cobbs asked Duncombe if he could employ between £2,000 and £3,000 in bankers' paper, his reply suggested that this would be difficult at a high rate of discount:

> "I am really fearful whether I should be able to manage it for you exactly in the way you wish - for you are no doubt aware that the holders of Bankers' paper have generally superior facilities of placing it - and the Bankers themselves, as well as the Brokers, know full well how to make the advantageous term on such paper."[2]

Although the market rate of interest was below 5 per cent., it was still possible to discount paper in London at the full legal rate. In April 1819, one customer had expected a lower rate than 5 per cent. but Duncombe commented that "there is no necessity for this at present as I can get you plenty of good bills at 5".[3] By the middle of the month, money was more plentiful and Duncombe complained, "It is not easy everywhere to pick up exactly the Bills you restrict me to."[4] The paper that Duncombe procured, though it yielded a higher rate of discount, was evidently not of the best quality or the most 'shiftable':

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1. LBA, A20 b/36.
2. KAO, U1453/B3/15/588, 10 September 1819.
3. Ibid., 3 April 1819.
4. Ibid., 16 April 1819.

> "the difficulty is not so much in procuring the kind of paper as in cashing it again at a moments notice - both operations seeming to require more channels than one."[1]

A list of bills discounted in February 1819 shows that of the fifteen bills with a face value of £1,586 supplied by Duncombe, six, to the value of £756 were accepted by London bankers.[2] A later list, however, for June 1819, contained only one bill on a London banker, Rogers & Co., for £70 out of a total of seven bills with a face value of £639.[3] All of the bills in these lists were at short dates, mostly about a month, and in the case of the latter list they varied between nineteen days and seventy-one days. Duncombe's correspondence shows that a good many of the bills he supplied arose from the transatlantic trade, some from the trade with Latin America, but mostly with the United States of America. Unfortunately for both the Cobbs and Duncombe, 1819 was a year of panic in the American trade and widespread bankruptcy.[4] By July, Duncombe was writing that the American trade was in a

> "cruel situation ... which has thrown such discredit on all the houses principally engaged in it as suddenly to withdraw from them those facilities which Mr. C[olquhoun] says if they had continued for a very short time would have prevented these calamitous stoppages altogether."[5]

The result was a series of unpaid bills and bankruptcy cases. One of the bankrupts was a Thomas Fitzgerald of St. Catherines Street, near the tower, a "shipowner [and] provision merchant".[6] Fitzgerald owed

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1. KAO, U1453/B3/15/588, 10 September 1819.

2. Ibid., 5 February 1819.

3. Ibid., 4 June 1819.

4. R.W. Hidy, The House of Baring in American Trade and Finance, (1949), p. 57; J.K. Galbraith, Money, Whence it Came, Where it Went, (1975), pp. 86, 113.

5. KAO, U1453/B3/15/588, 14 July 1819.

6. Ibid., U1453/B3/15/1552, 23 March 1819.

Cobb & Son £269.[1] He had evidently been operating around South America since his principal outstanding accounts included a claim against the "Government of South America ... [for] passage money ... for persons he has carried out".[2] This seemed unlikely to be ever paid as did his other principal claim against a Mr. Abraham:

> "Abraham rebuts it by making about an equal charge against Fitzgerald - and the acknowledged collusion and shifting between them are such that it seems impossible to tell which is the greatest rogue or how the law will decide between them."[3]

This case was favourably resolved by the following June but in the following February, Duncombe was making similar disparaging remarks about the parties to other paper he had passed to Cobb & Son for discount. These bills were drawn by a Mr. Waldruck who was the proprietor of a manufacturing enterprise, the precise business of which is not known. The bills turned out to be mere accommodation paper. The acceptor was a Mr. Wells,

> "Mr. Wells it seems is the Company so that the Drawer and acceptor are only Mr. S.W. [aldruck] & Mr. Wells, I confess I do not like the appearance of things & prompt measures will be best as soon as a clue can be had to either of the parties."[4]

A few days later he drew the conclusion that Mr. Waldruck was "if not a sharper then a sharp one."[5] Other bankrupts included Thomas

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1. KAO, U1453/B3/15/1552, 23 March 1819.

2. Ibid., U1453/B3/15/588, 27 March 1819. This curious reference to the "Government of South America" reflects the political uncertainty of the region at this time. It possibly refers to the Viceroy of Peru, who had authority from the King of Spain to govern much of Spanish South America, or the government of Simon Bolivar, who had begun his campaign to liberate Latin America. In the latter case, the letter might be referring to the passage of some of the 5,000 English, Scots and Irish who had joined Bolivar's army by 1819. G. Pendle, A History of Latin America, (1963) pp. 54-5, 99-101.

3. KAO, U1453/B3/15/588, 27 March 1819.

4. Ibid., 14 February 1820.

5. Ibid., 17 February 1820, see also 17, 21, 25 and 30 March 1820.

Colquhoun & Co., John Ritchie & Co., John Noble & Co. and Allan & Ellis.[1] These appear to have been closely connected together in the American trade for as soon as one of them stopped payments, the others followed them to the bankruptcy court.[2] Cobb & Son held dishonoured acceptances of Allan & Ellis for £612 and J. Ritchie & Co. for £708. Thomas Colquhoun was a party to both of these bills but the legal right to proceed against all the parties of a bill was not, in this case, sufficient to ensure a speedy repayment. In January 1820, Ritchie and Colquhoun were in America trying to straighten out their affairs, but it was already apparent that a "considerable time must elapse ... [before Ritchie & Co. or Allan & Ellis would] be enabled to reallise all their means", while it was feared that Colquhoun's estate would yield relatively little since,

> "considerable attachments ... laid in America in their property ... will divert much of the Funds that might have come to C$^{rs}$ on this side."[3]

The two bills were written off as bad debts in September 1820, with £138 outstanding on that of Allan & Ellis and £395 on Ritchie & Co.[4] Further dividends were, however, paid on the estates of Allan & Ellis and Thomas Colquhoun. For the former, the last dividend was paid in November 1824, and for the latter, a final dividend of 10d in the pound between October 1833 and September 1834.[5]

The firm of Richardson & Co. was founded in 1802 by Thomas Richardson when he left his former employers, Smith & Holt, bill-brokers to the

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1. KAO, loc.cit., 12 July 1819, 14 July 1819, 10 September 1819; U1453/B3/15/1183, 12 March 1822, 4 April 1822, 26 April 1822, 25 November 1822.

2. Ibid., 12 July 1819, 14 July 1819.

3. Ibid., 17 January 1820.

4. LBA, A20 b/12, p. 53.

5. Ibid., Profit & loss account for 1834; KAO, U1453/B3/15/1183, 12 March 1822; U1453/B3/15/22, 3 January 1824, 1 November 1824, 3 November 1825.

Norwich and Norfolk Bank of Gurney & Co. Smith & Holt's general practice was to charge a commission on the correspondents who had surplus funds to invest in bills. The occasion of Richardson's leaving the firm was a disagreement on this point, for Richardson, taking account of the current scarcity of money and the practice of the London merchants, among whom it was usual for the person with bills to discount to pay the brokerage, proposed that the commission charged to the suppliers of funds should be abolished. This, he argued, would probably result in their country connections taking more bills while, given the current monetary conditions, those with bills to discount would probably be willing to pay brokerage. Smith & Holt would not accept these proposals so Richardson set up in business on his own account, to become, within a few years, the most important bill-broker in London, a position his firm retained until its demise in 1866. An important factor behind the growth of the firm, particularly in the early years, was the maintenance of a connection with the Norwich Bank of Gurney & Co., and the many country banks in East Anglia linked with this bank by partnership connections.[1] In 1807, two years after John Overend had joined the bill-broking firm, the Gurney connection was strengthened when two members of the Gurney family joined the partnership, John and Samuel Gurney.[2]

Cobbs' opening of an account with Richardson in 1805 was not without misgivings. These were expressed by the clerk of the Margate Bank at that time, John Curling Cobb. At first he expressed a preference for investing

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1. King, op.cit., pp. 17-23; Scammell, op.cit., pp. 127-128; Matthews & Tuke, op.cit., pp. 103-149; W.H. Bidwell, Annals of an East Anglian Bank, pp. 76-88.

2. King, op.cit., pp. 20-23.

short-term surplus funds in Exchequer bills on the grounds of security and safety. On 24 October he wrote to Francis Cobb II explaining,

> "My principal dislike to the Bills is that they may turn out bad, and Overends not be able to take them up."[1]

By the end of the month he had changed his mind since he found the bills supplied by Richardson & Co. to be of an excellent quality; drawn by good houses, with good endorsements and accepted by bankers. Money invested in such bills, he concluded, "must be as safe as in Esdailes' hands."[2] Although Richardson & Co. had an excellent reputation for the quality of their bills, they were more diverse than is suggested by those supplied in the early months of Cobbs' account. This is confirmed by the accounts of bills subsequently remitted to Cobbs[3] and the evidence of Samuel Gurney before the Select Committee on Resumption in 1819. As well as bills drawn on London bankers, they also handled bills drawn on London merchants, and, though to a lesser extent, bills drawn on country firms, made payable in London. Most of the bills had longer than sixty-five days to run, some of them being as long as between one and three years.[4]

The account soon became an important part of the Margate Bank's business. In the year October 1818 to September 1819, Cobbs received bills to the value of £41,848, yielding a total discount of over £302.[5] In

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1. KAO, U1453/C9, 24 October 1805; see also, 22 October 1805, 25 October 1805.

2. Ibid., 28 October 1805.

3. Ibid., U1453/B3/14/20,U1453/B3/20/6.

4. BPP, Minutes of Evidence, Select Committee on Resumption, loc.cit., HC, p. 179.

5. LBA, A20 b/36.

that year, Cobbs were also receiving bills from Robert Duncombe, who, in the same period, supplied bills to the value of £87.982.[1] Clearly, Cobbs were being attracted by the higher rate of discount being offered by Duncombe. But even if only a small minority of Duncombe's bills were dishonoured, the losses incurred must have been sufficient to materially reduce the profits, if not wipe them out altogether, and must have been sufficient to cast doubt on the wisdom of maintaining the connection. Ten years later, well after Duncombe had left the money market, the turnover of bills from Overend & Gurney had more than doubled. In the six month period from October 1827 to March 1828, Cobbs discounted over £54,404 of bills remitted by Overend &Gurney. The rate of discount had fallen from around 4 to 4½ per cent.in 1818-19 down to 2½ per cent.in 1827-8, and yet the latter bills still yielded a discount of over £304 in six months. This indicates that the average currency of the bills must have increased.[2] If Richardson's figures for the average currency of the bills he handled is taken as a rough guide, it is possible to estimate Cobbs' investment in Overend & Gurney's bills at any one time. Richardson said that his bills usually had between two and three months to run,[3] so for the year 1818-1819, Cobbs probably had between £6,974 and £10,462 invested in Gurney bills, and for 1827-1828, between £18,135 and £27,202. Since the currency of the bills increased, the actual amount was probably closer to the smaller figure in 1818-1819, and the larger figure in 1827-1828.

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1. LBA, loc.cit.
2. Ibid.
3. BPP, Minutes of evidence, Bullion Committee, 1810, vol. III, p. 123.

Cobbs remitted funds to Richardson & Co. in several different ways. Richardson sometimes received bills with only a short time to run, usually three or four days. They might then draw on Cobbs' London agent, Esdaile & Co., for the balance of any transaction or, on other occasions, they might draw on Esdailes for the whole amount of any transaction. There are also instances of Richardson being sent Exchequer bills, 'cash notes' (presumably bank notes), and the produce of the sale of stock paid by Cobb & Son's stock-broker, William Giles.[1] According to Richardson's evidence of 1810, the bills supplied in return did not carry his guarantee.[2] This is difficult to reconcile with the evidence, already quoted, that John Curling Cobb, perhaps mistakenly, expected Richardson to take up any bills that were dishonoured.[3] The correspondence does little to clarify this point. Cobb & Son were almost invariably credited with the full value and the expenses incurred on any dishonoured bill.[4] Dishonoured bills, though, were relatively rare. Indeed, it was this factor which Richardson considered to be an important virtue of the bill-broking system and was no doubt an important factor in the pre-eminence of his firm. On being asked why there were fewer losses on bills discounted after the Restriction of Cash Payments than before, he replied;

> "I think that many of the country bankers have many losses by taking bills themselves; but those who do their business in London by means of a broker, who understands it, have but few losses.

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1. BPP, loc. cit., P.122; KAO, U1453/B3/14/20, 14 September 1814, 16 September 1814, 26 September 1814, 25 September 1816, 20 October 1824.

2. BPP, Minutes of Evidence, Bullion Committee, 1810, vol. III, p. 123.

3. KAO, U1453/C9, 25 October 1805.

4. BPP, Minutes of Evidence, Bullion Committee, 1810, vol. III, p. 124.

> "Do you therefore assign the discretion of the agent in London to be the only cause why there have been fewer losses sustained since the restriction on the Bank than before it? - Yes; I should think it much depends upon the discretion of the agent in London."[1]

That Cobbs were credited for bills that were dishonoured is not in itself sufficient to conclude that Richardson & Co. had taken them up or that they had guaranteed them. It may simply indicate that they had succeeded in procuring payment either from the acceptor or the other parties to the bill. If they did not guarantee their bills, Richardson & Co. would at least take steps to secure their payment. This was certainly true of Robert Duncombe from whom there is a considerable correspondence concerning his attempts to secure the payment of overdue bills. In January 1819, he was making frequent calls on a Mr. Mestairs who had failed to pay an acceptance for £300. Mestairs, who was said to be "not unfrequently irregular but ... solid on the whole",[2] received at least four or five personal calls from Duncombe between 14 January and the end of the month when the bill was paid.[3] Duncombe would give advice on how to deal with a dishonoured acceptance, make investigations on Cobbs' behalf and assist in any legal action by such means as presenting the proof of a debt owed to Cobbs at a bankruptcy hearing. Any legal action though, was Cobbs' responsibility.[4] Similarly, when Cobbs sent a small bill of

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1. BPP, Minutes of Evidence, Bullion Committee, 1810, vol. III, p. 124.
2. KAO, U1453/B3/15/588, 14 January 1819.
3. Ibid., 14 January 1819, 15 January 1819, 20 January 1819, 23 January 1819, 28 January 1819, 3 February 1819.
4. Ibid., 15 January 1819, 28 January 1819, 6 March 1819, 27 March 1819, 25 May 1819.

£20 to Richardson & Co. which was overdue by three weeks, Richardson & Co. expressed doubts as to whether it would be paid and merely promised to do what they could to secure its payment. There is no explicit reference to a guarantee until 1830, and even then it might only refer to some specific and exceptional bills. In that year, Cobb & Son discounted three unusually long-dated bills that were not payable until 1833.[1] The guarantee took the following form;

> "We guarantee the due payment of these bills, & engage to rediscount them whenever desired at the market price."[2]

It is not possible to date the beginning of the practice of 'call loans' with any precision. They were certainly well established by the mid 1830s, and their growth is most commonly attributed to the changes in banking practices following the financial crisis of 1825, and the rise of the joint stock banks.[3] The earliest signs of the development of a call market, though, date from the years following Waterloo. Interest rates fell in 1817 and 1818 to levels that would permit the development of a call market. As early as August 1816, Richardson & Co. were reporting that bills were scarce.[4] In 1819, Samuel Gurney said that even at 4½ per cent. there were not enough bills being offered for discount, and that they had sometimes been obliged to take bills at 4 per cent.[5] The earliest record

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1. LBA, A20 b/12, Profit and Loss accounts for 1830, 1831, 1832 and 1833.
2. KAO, U1453/B3/14/20, 5 August 1830.
3. Scammell, op.cit., pp. 130-143; King, op.cit., pp. 35-70.
4. KAO, U1453/B3/14/20, 12 August 1816, 12 September 1816.
5. BPP, Minutes of Evidence, Select Committee on Resumption, 1819, 4C, vol. III, p. 178.

of Cobbs being remitted bills at a rate below the legal rate is for August 1817 when they received bills at 4 per cent.[1] From October 1818, and for much of 1819, Cobbs received bills at 4½ per cent., but on 16 August 1819, Cobb & Son were informed;

> "Money is so very plentiful that we are under the necessity of remitting at 4 per cent & we have now a large surplus which we cannot invest at any rate of interest."[2]

Shortly afterwards they were back to remitting bills at 4½ per cent., but for most of 1820, from April, bills were remitted at 4 per cent. with only a few exceptions.[3] In 1824 and 1825, Overend & Gurney's rates for first class bills fell below 4 per cent.[4] In September 1825, they explained why they were unwilling to send Cobbs any paper at such a high rate as 4 per cent.

> "There is a description of paper on which that rate could be obtained, but in the present precarious times we could not recommend it to you."[5]

It is thought to have been quite uncommon for country bankers to employ money at call with the bill brokers in these years, and that the lead was probably taken by the London bankers.[6] Leyland, Bullins & Co., however, maintained sizeable balances with a broker from 1820, and Barnard & Co. from the end of 1823.[7] The evidence for Cobb & Son at first suggests

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1. LBA, A20 b/6.
2. KAO, U1453/B3/14/20, 16 August 1819.
3. Ibid; KAO, U1453/B3/14/20, 13 December 1819, 24 January 1820, 26 April 1820, 31 July 1820, 14 August 1820, 18 September 1820, 4 November 1820.
4. B.R. Mitchell & P. Deane, Abstract of British Historical Statistics, (1962), p. 460.
5. KAO, U1453/B3/14/20, 5 September 1825.
6. Pressnell, op.cit., p. 438.
7. Ibid., p. 438.

that money was not left at call until 1829, since that is the first year in which an 'Investment Account' at Overend & Gurney is mentioned. This may simply reflect an element of conservatism in Cobb & Son's accounting since one letter for 1820 suggests that such an account may have existed earlier and that Overend & Gurney were acting as principals, receiving deposits and remitting bills merely as a security;

> "We have allowed you 4 & ½ p. Ct. as we appear to have given you reason to expect it but we have taken in a great part of the bills at the same rate."[1]

Alternatively, it seems likely that such deposits were only made irregularly until 1829. Indeed, on one occasion in 1827, when bills were again scarce in relation to the funds available for discounts, Overend & Co. wrote to Cobbs to explain that funds remitted to them would be held to their account without interest until they could find suitable bills to discount.[2] Even after 1829, when call loans became regular and substantial, the earlier practice of Overend & Co. acting as agents rather than principals was continued on occasions.

The institutional and procedural changes resulting from the 1825 crisis were important in the subsequent growth of the discount market and the development of the system of money left at call and short notice. The setting up of branches by the Bank of England in the provinces, while it led to a limited amount of competition for country discounts, encouraged the growth of the London discount market by making the business of remittance

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1. KAO, U1453/B3/14/20, 18 September 1820.

2. Ibid., 12 March 1827.

both cheaper and easier in many parts of the country.[1] The development of joint stock banks, though slow at first, was a second factor since their competition for deposits, which necessitated the offering of attractive rates of interest, meant that their resources had to be very fully utilised to make a profit. This was achieved by large investments in bills and a reliance on rediscounting in London for supplies of cash.[2]

Of more direct relevance to the private country banks was the resolve of the London banks to reduce their liability to sudden and damaging runs by country banks. In the case of Esdailes, such attempts pre-dated the crisis of 1825,[2] but the crisis no doubt strengthened their resolve. To encourage country banks to invest some of their London reserves elsewhere, many London agents ceased paying interest on the current accounts of their country correspondents while others reduced the interest they paid by one way or another.[3] In these circumstances country bankers needed a second line reserve that would earn a modest income and yet could be converted into cash at short notice. The developing system of call loans with the bill-brokers ,with deposits being repayable on demand, was the obvious solution to this problem. London bankers themselves diverted an increasing proportion of their funds into call loans in this period as a means of building up their reserves so as to avoid having to rely too heavily on rediscounts with the Bank of England which might be suddenly curtailed.[4]

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1. Scammell, op.cit., pp. 134-135; BPP, Minutes of Evidence, Secret Committee on the Bank of England Charter, 1831-32, vol. VI, QQ. 999-1,000, 1,114 et seq., 1,508-1,516, 1,531-1,536, 3,720, 5,580-5,597; M. Collins, The Bank of England and the Liverpool Money Market, 1825-1850, (London Ph.D., 1972), pp. 35 et seq.

2. Scammell, op.cit., pp. 135-8; King, op.cit., pp. 39-49.

3. See pp. 158-160.

4. Pressnell, op.cit., pp. 88, 94.

The ending of rediscounting by the London private banks was, according to one writer, among the most "fundamental" influences operating at this time:

> "for the change engendered here was structural, tending to transform the nature of the bill market from an agency and brokering service to a discount market of the modern type."[1]

Finally, the granting of leave by the Bank of England for the bill brokers to open discount accounts with the Bank in November 1830 increased confidence and encouraged the deposit of a greater proportion of funds with the brokers. This was one of the consequences of the determination of the London private bankers to be independent of the Bank of England. Previously, the London banks had been the principal channel through which the Bank had supplied credit in times of financial stringency. Since the Bank realised that to wait for an application from the public on such occasions would have been too slow and unsatisfactory, the only solution appeared to be to make the discount market the channel for such new issues. The availability of last resort facilities to the more important discount houses evidently encouraged an increase in deposits of funds with these firms.[2] This is illustrated by the evidence of Chapman to the Select Committee on the Operation of the Bank Act of 1857. Chapman explained that discount business had been brought to a halt in 1839 when it had been intimated that the Bank might not discount for the discount houses. Under such conditions Samuel Gurney did not even dare discount first class bills, but as soon as the Bank said it would permit rediscounting all the bills offered by Gurney's customers were discounted without any need to resort

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1. Scammell, op.cit., p. 139; see also, King, op.cit., pp. 62-63.

2. Scammell, op.cit., 141-143; King, op.cit., pp. 88-91; Clapham, op.cit., vol. II, p. 142.

to the Bank

> "When the Bank refused, [he explained] the effect was to lock away millions immediately; for a large portion of the banking money deposited with us is in great masses, because the parties know that they can have it in a moment. If, in our arrangements between the Bank and ourselves, the Bank say 'We will not do this', all that is stopped in a moment; and those millions, which would otherwise be of benefit to the public ... become immediately locked up; because people say, 'We would rather have no interest at all, than have a doubt about our getting the money in case we require it'."[1]

A regular 'investment account', (referred to as a 'deposit account' after 1833), with Overend & Gurney first appeared in Cobb & Son's annual accounts in 1829. At first the amount deposited was small, £2,006 in 1829, approximately 2 per cent.of Cobb & Son's total assets for that year.[2] In 1830, the amount was increased to £10,000, or 8.3 per cent.of total assets, on which interest was paid at 2¼ per cent. The correspondence of that year confirms that this account took the character of a call loan with the money being repayable on demand.[3] By the following year, and for the remainder of the decade, money at call with Overend & Gurney had become Cobb & Son's single most important reserve asset. The importance of London bills declined, but London bills and call money combined never accounted for less than 26 per cent.of total assets in the 1830s, and in 1833 amounted to as much as 46 per cent.

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1. BPP, Minutes of Evidence, Select Committee on the Operation of the Bank Act of 1844, vol. V, 1857-8, QQ.S 194,5194; quoted in King, op.cit., p. 90.

2. See p. 192.

3. KAO, U1453/B3/14/20, 16 January 1830, 19 July 1830.

| Year | Overend & Gurney Deposit Account | O.G. & Co. Deposit Account as % of Total Assets | London bills as % of Total Assets | London bills & Overend & Gurney (%) |
|---|---|---|---|---|
| 1829 | 2,006 | 2.0 | 28.5 | 30.5 |
| 1830 | 10,000 | 8.3 | - | - |
| 1831 | 15,000 | 16.0 | 18.3 | 34.3 |
| 1832 | 25,000 | 22.7 | 11.3 | 34.0 |
| 1833 | 30,000 | 26.2 | 20.2 | 46.4 |
| 1834 | 27,000 | 27.4 | 3.7 | 31.1 |
| 1835 | 20,000 | 17.8 | 8.6 | 26.4 |
| 1836 | 25,000 | 21.4 | 13.4 | 34.8 |
| 1837 | 30,000 | 25.0 | 5.5 | 30.5 |
| 1838 | 42,000 | 32.0 | 3.9 | 35.9 |
| 1839 | 30,000 | 23.9 | 7.5 | 31.4 |
| 1840 | 52,000 | 35.1 | 4.4 | 39.5 |

Source: LBA, A20 b/12, Cash Statements 1829-1840.

From 1832 it becomes possible to abstract the contribution of the Overend &Gurney deposit account, and the bills supplied under the traditional mode of business to gross profits. This again was quite impressive, although because of the relatively low rates of interest on these accounts compared with what could be earned on country advances and discounts, their contribution was not proportionate to their share of total assets. The financially difficult year of 1839 stands out as something of an exception as the account was particularly remunerative in that year because of the unusually high discount rate in London. The average discount rate charged by Overend &Gurney for that year was as high as 5.13 per cent.[1]

1. Mitchell & Deane, op.cit., p. 460.

| Year | Profit on O.G. & Co. Deposit Account as % of gross Profit | Profit on bills from O.G. & Co. as % of gross profit |
|---|---|---|
| 1832 | 11.3 | 5.2 |
| 1833 | 20.0 | 10.6 |
| 1834 | 21.6 | 2.9 |
| 1835 | 11.0 | 4.3 |
| 1836 | 11.9 | 16.1 |
| 1837 | 15.1 | 4.2 |
| 1838 | 21.6 | 3.5 |
| 1839 | 31.2 | 5.4 |
| 1840 | 22.8 | 5.7 |

Source: LBA, A20 b/12, Profit and loss accounts, 1832-1840.

Note: 'Bills from Overend & Gurney' and the 'London bills' are not comparable since the latter includes London bills from other sources.

The rate of interest on this account was very sensitive to market conditions. Even the payment of dividends on government stock could result in a fall in the interest rate, as happened in July 1835;

> "We regret to inform you that the present abundance of money produced by the payment of the dividends obliges us to rate your account at 3 p Ct from this date."[1]

The rate at which Overend & Gurney discounted first rate bills fell, according to the monthly figures presented to the Select Committee on the Bank Acts, from 4 per cent. in July to 3½ per cent. in August, rising again to 3¾ per cent. in September, where it remained for the rest of the year.[2] During the twelve month period from May 1832 to April 1833, Cobb & Son were informed of changes in the rate of interest on their call loans at least

1. KAO, U1453/B3/14/20, 15 July 1835.

2. BPP, Select Committee on the Bank Acts, vol. V, 1857-8, pp. 463-4; Collins, op.cit., p. 306.

four times. The rates varied from 3 per cent. in the latter part of May, when bills were being discounted at 3¼ per cent., to 2 per cent. in January 1833 when bills were being discounted at 2¾ per cent., falling to 2½ per cent. in February, and 2¼ per cent. in March.[1]

As was the usual practice of the time, bills guaranteed by Overend & Co. were remitted to Cobbs to hold as a security for repayment of the call loan. Each time these bills reached maturity, fresh ones were remitted in exchange.[2] By the 1880s, Cobbs had modified this part of their business with the London bill market to save the trouble and expense of postage. Although it was still the most common practice for bills either to be sent into the country or to be deposited with the London agent as a security, Cobbs adopted a system that was a step closer to not requiring any security. The brokers, no longer Overend & Gurney, would "hypothecate" the bills to be held as security by letter and state that they were held on Cobbs' account.[3]

Bills were still remitted for Cobbs to discount.[4] The advantage to Cobbs of doing business in this way was that their money earned a slightly higher rate of interest, although at the expense of a certain loss of liquidity compared with call loans. The clearest evidence for this is for 1834 and 1835. In August 1834, Overend & Gurney were willing to supply Cobbs with bills for discount at 3½ per cent., whereas they would not allow more than 3 per cent. on deposits that were payable on demand.[5] Cobbs then

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1. BPP, Select Committee on the Bank Acts, vol. V, 1857-8, pp. 463-4; KAO, U1453/B3/14/20, 2 May 1832, 28 May 1832, 18 August 1832, 8 January 1833.

2. Ibid., 2 July 1832, 16 July 1832, 2 January 1833, 29 July 1833, 3 September 1833, 21 October 1833, 21 May 1838.

3. LBA, A20 b/57, p. 27.

4. See p. 186 above.

5. KAO, U1453/B3/14/20, 25 August 1834, 18 August 1834.

received bills for discount in November 1834, although the rate of discount had been reduced to 3¼ per cent."in consequence of the abundance of money".[1] The following February, £2,000 was debited from the deposit account to be invested in thirty-three bills.[2]

The business of Overend & Gurney was not entirely confined to bills of exchange. As early as 1819 they had invested some of their money in government securities on the stock exchange because there were not enough bills available for discount at 4½ per cent. This was a move that, according to Samuel Gurney, was undertaken reluctantly since they feared that losses might arise from fluctuations in the prices of stocks.[3] How common such transactions were is not known, but from the frequent reports of a shortage of bills and an abundance of money in the following decades it seems probable that they became common. For correspondents such as Cobbs there is evidence that they would advise and assist in the purchase of securities other than bills of exchange. As early as 1806, John Barber suggested that Richardson & Co. might be able to procure a portion of the forthcoming government loan. On that occasion they declined,[4] but in 1835, against the background of a surplus of funds in the discount market, they offered their services to procure some of the loan of that year.[5] £3,000 was subsequently appropriated to Overend& Gurney's name on Rothschild's

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1. KAO, loc.cit., 10 November 1834.

2. Ibid., 9 February 1835.

3. BPP, Minutes of Evidence, Select Committee on Resumption of Cash Payments, 1819, vol. III, p. 178.

4. KAO, U1453/B3/14/3, 13 March 1806.

5. Ibid., U1453/B3/14/20, 15 July 1835, 23 July 1835.

list on Cobbs' behalf. The Omnium that was later acquired was never registered in the name of Cobb & Son, but sold on their behalf by Overend & Gurney, at a premium of 3 per cent. in less than three weeks.[1]

By the late 1830s, Overend & Gurney were recommending investments in American securities. Such securities were particularly popular from the mid 1830s up to the crisis of 1839, with the exception of the first half of 1837. They were important in that they stabilized short-term mercantile balances in the American trade, bridged the growing deficit on the American balance of payments in these years and financed the booms of 1836 and 1838 in the United States.[2] Overend & Gurney played quite a prominent part in the marketing of American securities in these years, as was noted by Henry Burgess in 1841, a time when American securities had been thoroughly discredited by the crisis of 1839;

> "We found the most eminent Bankers of London, many of the most cautious and successful Country Bankers, some of the most renowned statesmen ... and a conspicuous bill-broker [Samuel Gurney] who virtually directs the course of investment for one half of the surplus floating banking capital of the country, all inspired with the same confidence in Nicholas Biddle, [the president of the Bank of the United States]."[3]

In December 1838, Cobbs turned to Overend & Gurney for advice on how to invest a sum for one of their customers, Georgiana Fowler. The

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1. KAO, loc.cit., 1 August 1835, 5 August 1835, 10 August 1835, 17 August 1835, 21 August 1835, 22 August 1835.

2. R.C.O. Matthews, A Study in Trade-Cycle History, Economic Fluctuations in Great Britain, 1833, 1842, (1854), pp. 43-69; L.H. Jenks, The Migration of British Capital to 1875, (1927), pp. 65-68; see pp.118-120 above.

3. Circular to Bankers, 5 March 1841; quoted in, Jenks, op.cit., p. 95.

answer was, that

> "for a small investment, we think your friends cannot do better than buy some of Baring's Louisiana Bonds, there being no expense attending the transfer and the security is considered undoubted."[1]

$2,000 of Louisiana Bonds were subsequently purchased for Miss Fowler.[2] Cobb & Son had already invested some of their own funds in American securities. In May 1838, Overend & Gurney supplied them with New York 5 per cent. stock worth £7,995.4.9, which amounted to 6 per cent. of Cobbs' total banking assets for September of that year. This was made up of $14,419 'Chenango Loan' and $24,234 'Old Loan'. Clearly, the main attraction was the high rate of interest, well above what could be safely earned on the London discount market or on British government securities. With the stock being purchased at 91½, returns exceeding 5 per cent. could be expected.[3] This investment did not, in fact, turn out to be one of Cobbs' happiest transactions since the default of many states following the crisis of 1839 drastically reduced the value and marketability of American securities generally. The financial difficulties of the United States were reflected in the profit and loss accounts for the following years by the reduction in the rate of interest which was "taken at" 3 per cent. in 1839, and 3½ per cent. in 1840.[4] Rather than interest being taken as a percentage

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1. KAO, U1453/B3/14/20, 10 December 1838. These bonds were mostly used to finance the cotton growers. A system of land banks was started in 1824 under state patronage. The stock was bought by the planters who paid by offering mortgages on their estates to two-thirds of their value. Working capital was then raised by the issue of bonds. (These were first publicly issued by Baring in 1829.) Planters could then borrow from the bank by pledging their crops as a security. Jenks, op.cit., p. 75.

2. KAO, U1453/B3/14/20, 20 December 1838.

3. Ibid., 7 May 1838, 16 May 1838, 10 July 1838, 16 July 1838, 1 August 1838; LBA, A20 b/12, General Cash Statement of 1838. (The powers of attorney were sent on one of the early transatlantic voyages of the steamship 'Great Western' in July 1838.)

4. LBA, A20 b/12, Profit and Loss Accounts for 1839 and 1840.

of the face value of the stock, it was calculated as a percentage of the original purchase price. Perhaps this artificial calculation suggests that this was a nominal calculation rather than a record of actual dividends paid.

The $24,234 of 'Old Loan' stock disappeared from the General Cash Statements in 1840[1] and in the following year the $14,419 'Chenango Loan' was transferred to a private account in the 'Home Ledger'. On the formation of the new Cobb partnership in 1841 it appears that this stock was transferred to the Cobbs' personal accounts to be held until redemption in 1845. The stock was "transferred from Cobb & Son" at 80 per cent. and interest paid to the bank at 3 per cent. on that figure.[2] In this way an illiquid loan was removed from the Margate Bank's accounts. On redemption of the stock in 1845, the surplus of the interest payments, over £247, and of the principal, £342, were paid to the 'Partners' Cash Account'.[3]

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1. LBA, loc.cit., General Cash Statement.
2. Ibid., A20 b/7.
3. Ibid.

# CHAPTER V

## Government Securities

By the end of the nineteenth century it was a common practice for bankers to hold a permanent and substantial proportion of their assets in government securities as a reserve. This was not a universal practice in the early part of the century. George Rae, writing in the 1880s, clearly thought that government securities, and above all, 3 per cent. Consols, were an essential part of banking reserves. In his hypothetical balance sheet he suggested a reserve of one-third of the liabilities to the public. One-tenth of the liabilities to the public, or just over one-third of the reserve, he suggested should be invested in Consols.[1] Later, in 1926, Walter Leaf drew up a similar hypothetical balance sheet where 'investments' amounted to about 15 per cent.of the liabilities to the public, although he also noted that the actual proportion held by the different banks varied considerably, from 9.2 per cent. to 20 per cent. These investments were almost entirely in government stocks, although some other first class securities were included.[2] This proportion, he thought, was not much different to what it had been before the first world war.[3]

In the early nineteenth century, the role of government securities as a permanent reserve was not so well established. Professor Sayers writes that there was "no parallel to the modern predominance of government paper".[4] Some banks habitually held a large volume of government securities. The public banks of Scotland, the Royal Bank of Scotland, the British Linen Company and the Bank of Scotland had a long history of holding

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1. G. Rae, The Country Banker, (7th ed., 1930), p. 208.

2. W. Leaf, Banking, (1926), p. 143.

3. Ibid., pp. 143-144.

4. R.S. Sayers, Lloyds Bank in the History of English Banking, (1957), p. 185.

public securities as part of their assets. In 1802, for instance, government stock accounted for 22.4 per cent. of the assets of the Royal Bank.[1] Government securities were also popular with the Scottish Provincial Banking Companies and the Dundee Banking Company is considered to have been slow in not investing in the funds until 1803.[2] South of the border, there is evidence for country banks holding government securities from quite an early date. The Newbury Bank of Vincent & Co., for instance, was asking its London agent, Dimsdale & Co., to invest money in stocks from 1789.[3] The correspondence suggests, however, that these investments were regarded as a temporary outlet for surplus funds rather than a fixed, regular reserve.

On 7 August 1789, for instance, the reason given for wanting to invest in the funds was the large surplus that had accumulated in the hands of the London agent.[4] Again, in November 1789 they informed Dimsdale & Co. of their intention of investing some of their surplus funds:

> "We have had as you are aware for a long time past a considerable sum of money lying useless tho' not without a hope of disposing of some part of it to an advantage, as our views from the late painful turn in the politics of Europe are somewhat frustrated yet it is not altogether consistent to suffer it to remain longer idle, we will in consequence lay out about £5,000 in Navy Bills, unless you can inform us or recommend us to lay it out to more advantage."[5]

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1. S.G. Checkland, Scottish Banking, A History, 1695-1973, (1975), p. 185.

2. C.W. Munn, The Scottish Provincial Banking Companies, (Edinburgh, 1981), pp. 128-131; C.W. Munn, 'The Dundee Banking Company', Three Banks Review, No. 127, September 1980, p. 49.

3. PRO, C171/20, 7 August 1789, 10 August 1789, 12 August 1789.

4. Ibid., 7 August 1789.

5. Quoted in, L.S. Pressnell, Country Banking in the Industrial Revolution, (1956), p. 416.

Three other English country banks that are known to have had large investments in the funds are Smiths of Nottingham, Barnard & Co., of Bedford and Leyland & Bullins of Liverpool. In 1752, Smiths had as much as a third of their assets invested in government securities.[1] By the early 1790s this had been reduced to a small proportion although the possibility of high returns on government loans after the outbreak of the Napoleonic Wars attracted more of the Nottingham Bank's funds in subsequent years.[2] Barnard's were similarly attracted to the stock market by the prospect of yields above the legal rate of interest, and in 1813-14 it was agreed that whenever the balance with the London agent exceeded £15,000 the surplus should be invested in the funds.[3] Leyland & Bullins had particularly large sums in the funds, between £300,000 and £400,000 in the years 1812 to 1816 and £684,267 in 1817.[4]

Within a few years of Waterloo however, both Barnards and Leyland & Bullins sold off all their holdings of government securities. Barnards had a substantial amount of Exchequer bills in 1826 and 1827 and renewed their investments in the funds, albeit at a lower rate, in the years between 1829 and 1838. Leyland & Bullins made no investments in the funds between 1823 and 1841 except in 1825.[5] It is possible that they may have traded in and out of the stocks, but they clearly were not used as a permanent reserve. One reason for this might have been the fall in the yield of stocks, although the fact that in 1826 Thomas Bullins

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1. J.A.S.L. Leighton-Boyce, Smiths the Bankers, 1658-1958, (1958), p. 24.

2. Ibid., pp. 58, 60-61.

3. Pressnell, op.cit., p. 417; L.S. Pressnell, 'Joseph Barnard: Westminster's Predecessor in Bedford', Westminster Bank Review, February 1960, pp. 9-11.

4. Pressnell, Country Banking..., pp. 418-419.

5. Ibid., pp. 419, 512-513, 516-517.

had private investments of £384,375 in government securities suggests that some bankers considered them more suitable as private investments than banking assets because of the potential risks.[1]

Gilbart noted that some bankers had a strong preference for bills of exchange. Good commercial bills at short dates had several advantages over government securities; the banker could be sure of receiving back the amount he had advanced, he knew when the money was to be paid and could organise his business accordingly. Bills could be rediscounted in times of need; and bankers found it easier to take advantage of any rise in the rate of interest, as bills at a higher rate of discount could be substituted for those at the lower rate as the latter matured.[2] In discussing the appropriateness of different assets as reserves, Gilbart mentioned the bankers of Lancashire as among those who preferred bills of exchange to government securities:

> "The bankers of Lancashire usually keep the whole of their reserves in bills of exchange. If they have a 'good bill case', that is, a large amount of good bills in their case, they think themselves prepared to meet any emergency."[3]

This is confirmed by the balance sheets of Leyland & Bullins for the years between 1823 and 1841.[4] This preference for bills can also be found in London. James Hammet of Sir James Esdaile & Co. stated in 1819

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1. Pressnell, Country Banking..., p. 419.

2. J.W. Gilbart, The History, Principles and Practice of Banking, (revised ed., 1882), vol. I, p. 299.

3. Ibid., p. 299; see also, T.S. Ashton, 'The Bill of Exchange and Private Banks in Lancashire, 1790-1830', in T.S. Ashton & R.S. Sayers (eds.), Papers in English Monetary History, (1953), pp. 37-49.

4. Pressnell, Country Banking..., pp. 516-517.

that they employed the deposits of their country correspondents in bills whenever possible and only rarely in stocks.[1] Similarly the Union Bank of Scotland does not appear to have held much in the way of government securities in the 1830s, 40s or 50s. Tamaki concludes;

> "it is fairly reasonable to say that the directors had not yet built up an idea of holding, at least, Consols as safe investments or so-called 'secondary reserve'."[2]

Although there is plenty of evidence that the Cobbs bought and sold government securities it seems unlikely that they were thought of as a secondary reserve since they rarely appeared in the bank's balance sheets.[3] The following questions then arise. Why were some bankers, in the early nineteenth century, reluctant to treat government securities as part of a permanent reserve? Why were some bankers reluctant to invest in government securities at all? What were the advantages and disadvantages of this form of investment?

Gilbart strongly favoured investments in both bills and government securities to be held as a reserve. Government securities, he said, were particularly favoured as they were always convertible, even if conversion might result in a loss. By investing a large proportion of his surplus in government securities a banker would avoid the temptation of investing in other less convertible assets, while a large investment in the stocks would help to create public confidence in cases where banks published their balance sheets.[4] In support of his case he quoted Vincent Stuckey's evidence to the Select Committee on Joint Stock Banks in 1836. Stuckey said he maintained a large sum in government stock since, contrary to the testimony of some other witnesses, he found that he could raise money

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1. BPP, Minutes of Evidence, Select Committee on the Resumption of Cash Payments, 1819, vol. III, p. 98.

2. N. Tamaki, The Union Bank of Scotland, 1830-1885, (Glasgow M. Litt., 1981), p. 81.

3. See Appendix 1. 4. Gilbart, op.cit., Vol. I, pp. 302-304.

more easily on such securities in times of financial stringency than on any other assets.[1] Furthermore, the rate of interest at which he could borrow money on the security of stock was lower than on bills of exchange. In 1832, he informed the Secret Committee on the Bank of England Charter that he could usually raise money on better terms on government stock or exchequer bills than by discounting a bill with the Bank of England or with his London banker.[2] He even regarded the practice of keeping a reserve primarily in bills of exchange as unsound, for when he was asked,

> "Do you consider it would be a safe system of banking, if the capital of the bank was altogether invested in commerical bills?"

his reply was a categorical "Certainly not".[3]

In addition to the possibility of raising cash in a time of need by borrowing on the security of government stock, such assets also possessed 'shiftability'. A well developed market for the sale of government securities already existed on the stock exchange. Although the exchange dealt with few stocks other than the public debt, many of the basic features of the modern market had emerged by the end of the Napoleonic Wars. The market was already, for instance, divided into brokers who acted on behalf of clients and jobbers who dealt on their own account with the brokers, or between themselves. The latter ensured that there was always a market for stocks by being always willing to quote prices at which they would

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1. Gilbart, op.cit., vol. I, p. 295.

2. BPP, Secret Committee on the Bank of England Charter, 1831-32, vol. VI, p. 84; see also V. Stuckey, Thoughts on the Improvement of the System of Country Banking, (2nd ed., 1836), p. 32.

3. Gilbart, op.cit., vol. I, p. 297.

deal.[1] One contemporary explained that

> "the number of changes to which immense sums vested in these securities give rise, occasion continual transactions in them. The facility and trifling expense with which transfers are made in these funds are inducements to prefer vesting money in them to laying it out on mortgages, or other private security, which, though probably yielding a greater interest, is frequently attended with trouble and uncertainty."[2]

With regard to safety, all contemporaries were in agreement that British government stocks were among the best that could be obtained, and that Parliament's efforts to maintain the regular and punctual payment of interest had succeeeded in making the credit of the British government superior to that of any other European nation.[3] Thomas Mortimer, at the end of the eighteenth century, asked of the investing public

> "where will they find so safe a repository for their money, and on such advantageous terms, as the Public Funds of England afford? Higher interest may indeed be obtained, but then the security is not so good."[4]

He then proceeded to compare the performance of the East India Company's stocks with those of the Government and concluded that in the eight years before 1801 the East India Company's stocks had fluctuated to a much greater extent than the public funds and that they were consequently a much riskier form of investment. This he attributed to additional factors operating on the value of the Company's stocks, such as the condition of its trade, or the state of its finances whereas,

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1. E.V. Morgan & W.A. Thomas, The Stock Exchange, Its History and Functions, (1962), pp. 58-77; The Works and Correspondence of David Ricardo, ed. P. Sraffa & M.H. Dobb, (1955), vol. X, p. 69.

2. W. Fairman, An Account of the Public Funds in 1824 (7th ed., 1824), p. 2.

3. T. Mortimer, Every Man his Own Broker, (13th ed., 1801) pp. 2-43.

4. Ibid., p. 2.

> "the Government annuities selling at a great discount, is only a proof of the increase of the value of money."[1]

In his final evaluation of the funds he maintained that Government stocks were preferable to all others, that the English public companies were nearly as good, and that all were better than the securities of private societies or individuals.[2]

In considering the question of the fluctuations in value of the stocks, Mortimer touched on one of the most important reasons why many of the bankers of the period were reluctant to maintain large reserves of Government stocks. Many bankers feared that if they had to raise cash by the sale of stocks, the fluctuations in the market were likely to mean that they would have to sell when the market was low and suffer a heavy capital loss. This remains a problem for bankers in the twentieth century[3] and was also recognised by George Rae in the 1880s. Remarking on the fact that the rate of interest received on Consols was higher than could be obtained on money deposited with the bill-brokers he raised the question of whether it would be better to invest a greater proportion in Consols. His answer was that

> "fluctuations in the ordinary movements of your business might oblige you to resort to your Consols more frequently than would be expedient. Every now and then you might have to buy or sell; and as a rule you would have to buy when money was cheap, and sell when it was dear. You would thus, for the most part, have to buy in the dearest, and sell in the cheapest market. You might of course avoid selling by borrowing on your Consols; but frequent borrowing, or selling, or buying had best be avoided."[4]

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1. T. Mortimer, op.cit., p. 35.

2. Ibid., p. 37.

3. R.S. Sayers, Modern Banking, (5th ed., 1960), pp. 159-160.

4. Rae, op.cit., p. 221.

An additional problem for the bankers of the late eighteenth and early nineteenth centuries was the narrow range of government securities available and the prevalence of perpetual annuities. If more stocks had been available with reasonably near dates of maturity, government stocks would have been less subject to fluctuation and more attractive to bankers. As most stocks took the form of perpetual annuities it was impossible for bankers to adopt the modern practice of holding a range of stocks maturing at par in successive years. The principal determinant of the value of the funds was the rate of interest, and in situations where interest rates were rising, bankers would find that the capital value of stocks, such as Consols, would fall. Conversely, if interest rates were falling the value of stocks would rise, but investors might be faced with a Government proposal to convert the rate of interest payable on the stock to a lower figure. Such conversion schemes were common in the years after the Napoleonic Wars, so that by the 1830s, most of the national debt was in the form of 3 per cent. or 3½ per cent. stock. The scope for conversion schemes was, however, limited by the Government's preference for borrowing in low denomination stock of 3 per cent. during the Napoleonic Wars.[1]

The main concern for bankers was that the value of the funds almost invariably fell in times of financial strain when they were most likely to want to sell. The market was, in any case, sensitive to political events, particularly during the Napoleonic Wars. This is quite clear from the correspondence of the Margate Bank's stockbroker, William Giles. On 9 July 1800, for instance, he explained that every report of peace had led to a rise in the value of the funds in the past, and that each defeat of the Allies

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1. E.L. Hargreaves, The National Debt, (1930), pp. 121-122; Morgan & Thomas, op.cit., pp. 115-117.

over the previous months had had the same effect. The public's expectations of peace though, he considered to be "too sanguine" and that the price of stocks would fall.[1] By 18 July he had been proved wrong:

> "You see, my dear Sir, the worth of opinion with reference to the Funds. When I wrote last, the appearance was so gloomy and the markets so heavy, there was every reason to imagine they would be lower. On this ground we deferred buying. But in the face of all our disasters... they have risen to 63½ Ex Div[d] today."[2]

The question of whether it would be wise to make a purchase in the funds was deferred until later in the month. By the 22 July the stocks "were steady on the whole" but, Giles added,

> "Much will perhaps depend upon the next news from the Continent, with respect to the determination of the Emperor."[3]

A week later the purchase still had not been made:

> "Your money is still in my desk. The time is critical & I know not how to act. The Northern powers look hostile - But should negotiations take place the Markets will instantly rise... [perhaps] before the cause of it is known. I wish you would come to some conclusion yourself."[4]

Back in 1795, expectations of peace had similarly led to hopes that the prices of the Funds would rise and Cobbs consequently bought £3,000 Consols. Expectations for peace were heightened by the award of the contract for placing the loan of the year to friends of the Government. William Giles explained;

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1. KAO, U1453/B3/14/8, 9 July 1800.
2. Ibid., 18 July 1800.
3. Ibid., 22 July 1800.
4. Ibid., 29 July 1800.

> "That peace is expected from good quarters I know. But what strikes me forcibly at present is this - Boyd & Co. who have the loan are friends of Government - that is have assisted them with money when it could not be gotten any where else to a large amount. Now, it is not probable that Mr. Pitt sh^d^ let them have the loan were he not disposed for peace. I think this is an argument of some moment. Should you think it solid & have any money to spare I can buy Consols for you for the opening - by which the div^d^ will be saved as well as now - they will open about 23rd Jany 1796."[1]

The market was so sensitive to news of the progress of the war that it was susceptible to fraud. Mortimer claimed that the sending of false news of the progress of the war from the Continent with the object of influencing the price of stocks was a common phenomenon.[2] David Ricardo took part in the clearing up of two frauds based on the spreading of fictitious reports of the war in 1803 and 1814.[3] In the latter, the so-called 'Cochrane hoax', the price of omnium was sent up by six points after an elaborate attempt to induce investors into believing that the city of Paris had been taken and that Napoleon was dead.[4] Mortimer's advice to investors was to treat with great caution all the "idle rumours on the state of public affairs at home, or abroad" and to

> "Watch attentively the real value of money; I mean, what interest it will bear on the best landed security in the kingdom; and if you find... that most of the said funds are at present considerably under par of the general rate of interest, let those who have property vested in them, avoid selling out; and those who wish to purchase, lose no time."[5]

Such fluctuations might encourage bankers to invest in the stocks in hope of a speculative capital gain, but they would also serve to discourage the use of government securities as reserve assets.

To maintain a stock account required some skill if losses were to be avoided, while an undue reliance on the funds as a reserve would also result in losses if it led to the necessity of frequent sales of stock at each period of monetary pressure. An illustration of the losses that could

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1. KAO, loc.cit., 3 December 1795.
2. Mortimer, op.cit., pp. 56-60.
3. Sraffa & Dobb, op.cit., vol. X, p. 69.
4. Morgan & Thomas, op.cit., pp. 50-51.
5. Mortimer, op.cit., pp. 256-257.

arise can be seen in the bankruptcy records of Nathaniel Austen of the Ramsgate Old Bank. Austen went bankrupt in 1840, and his accounts show that he had been losing money on the stock exchange over a lengthy period. In the general account of the losses on his property, he claimed to have lost £1,049. 2s. 11d. on exchequer bills. There was a "loss on [the] purchase of stock which was afterwards sold" of £23,206. 19s. 4d. and a "further loss on stock account" of £5,199. 13s. 3d.[1]. Some of these losses were the result of purchases of foreign stock, but Austen always had an active account in the British funds as well. Between 1818 and 1840, Nathaniel Austen lost money on the stock exchange in every year except 1820 to 1822 and 1839.[2]

As well as practical considerations, some bankers had theoretical objections to government securities of a long term nature. Most commentators agreed that government borrowing could be inflationary but supporters of the 'real bills' doctrine had particular reasons for preferring the discount of short-term commercial bills to long-term government securities. For adherents of the 'real bills' doctrine the safeguard against banks causing inflation by an excessive issue of notes was to confine their business to the discount of solid mercantile bills. In doing so, it was argued that notes would not be issued in excess of the 'legitimate demands of business'.[3] The fallacy of this doctrine was most clearly exposed by Henry Thornton in 1802,[4] but

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1. PRO, B3/170, p. 96.

2. Ibid., p. 1.

3. L.W. Mints, A History of Banking Theory in Great Britain and the United States, (1945), pp. 47-50; J. Viner, Studies in the Theory of International Trade, (1955), pp. 148-150; F.W. Fetter, Development of British Monetary Orthodoxy, (Cambridge, Massachussets, 1965), pp. 9-10, 40-43, 142; L. Robbins, Robert Torrens and the Evolution of Classical Economics, (1958), pp. 78-79.

4. H. Thornton, An Enquiry into the Nature and Effect of the Paper Credit of Great Britain, (ed. F. von Hayek, 1939), pp. 86-87, 235-236, 244, 252-253.

it still had some adherents several decades later. In 1844, for instance, the doctrine was endorsed by the 'Banking School' writer, John Fullarton. He quoted the principle enunciated in 1810 by the directors of the Bank of England

> "'that so long as a bank issues its notes only on the discount of good bills, at not more than sixty days' date, it cannot go wrong in issuing as many as the public will receive of it.' [and claimed]
>
> In that maxim, simple as it is, I verily believe, there is a nearer approach to truth, and a more profound view of the principles which govern circulation, than on any rule on the subject which since that time, has been promulgated."[1]

The 'real bills' doctrine is usually traced back to the writings of Adam Smith, who in turn is said to have probably derived his ideas on banking from his association with the merchants and bankers of Glasgow.[2] Smith describes two forms of legitimate bank advances; on bona fide trade bills of exchange and through the Scottish system of cash accounts. The former were to be of short date and the latter to have a rapid turnover. Such advances, he argued, could not lead to an excessive note issue, since banks would only be supplying funds to the value of the metallic currency which would have otherwise circulated. He argued that,

> "What a bank can with propriety advance to a merchant or undertaker of any kind, is not either the whole capital with which he trades, or even any considerable part of that capital; but that part of it only which he would otherwise be obliged to keep by him unemployed, and in ready money for answering occasional demands. If the paper money which the bank advances never exceeds this value, it can never exceed the value of the gold and silver which would necessarily circulate in the country if there was no paper money; it can never exceed the quantity which the circulation of the country can easily absorb and employ. [Furthermore,]
>
> When a bank discounts to a merchant a real bill of exchange drawn by a real creditor upon a real debtor, and which, as soon as it becomes due, is really paid by that debtor, it only advances to him a part of the value which he would otherwise be obliged to keep by him unemployed and in ready money for answering occasional demands."[3]

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1. Quoted in Fetter, op.cit., p. 193.

2. Ibid., p. 9.

3. A. Smith, The Wealth of Nations, (1910 ed.) vol. I, p. 269.

From similar arguments, adherents of the 'real bills' doctrine drew the conclusion that although the discount of genuine short-dated mercantile bills could not lead to an over-issue, bank lending to the government on unredeemable securities could. Such views were expressed, for example, by James Wilson in Capital, Currency and Banking, as late as 1847, and were also taken up by American writers such as Thomas Cooper in his Lectures on the Elements of Political Economy of 1826.[1]

For most of the period it is unclear whether Margate bank funds were being employed on the stock exchange or whether Cobbs were simply investing as private individuals. Cobbs were in correspondence with a stockbroker as early as 1783 and there are letters concerned with the purchase and sale of government securities for every year after 1805.[2] The surviving cash statements, however, rarely mention any government securities at all; the only record of any government securities being for the years 1837 to 1840. The only other Securities recorded in the accounts are India bonds in 1835, 1839 and 1840, and American stock between 1838 and 1840.

Investments in Securities Recorded in the Cash Accounts of Cobb & Son as a per centage of Total Assets

| Year | Exchequer Bills | India Bonds | American Stock |
|---|---|---|---|
| 1835 | nil | 4.5 | nil |
| 1836 | nil | nil | nil |
| 1837 | 7.6 | nil | nil |
| 1838 | 1.5 | nil | 6.1 |
| 1839 | 6.4 | 1.6 | 6.4 |
| 1840 | 7.4 | 7.4 | 2.0 |

Source: LBA, A20 b/12.

1. Cited in, Mints, op.cit., pp. 90-91, 131-132.
2. KAO, U1453/B3/14/8.

The American stock was of a speculative character, but the figures for Exchequer bills and India bonds suggest that these were coming to be regarded as reserve assets. Such investments, however, disappeared after 1842 following the uncovering of serious Exchequer bill forgeries in 1841.[1]

Over the rest of the period it is generally unclear whether Cobbs were investing in the funds as private individuals or in their capacity as bankers. Even if they were acting simply as private individuals, the principle of unlimited liability meant that the whole of their property was available to settle claims against the bank in the event of bankruptcy and could still be seen as a reserve fund in that sense. Turning from the cash statements to the profit and loss accounts, specific references to profits and interest from stock can be traced back to 1834. Before that date there are only vague and inconclusive references to interest received on investments and securities.[2] It is sometimes possible to trace stock transactions for an earlier period from the 'Bank ledgers', which record the receipts and expenses of a multitude of various transactions. Stock transactions were not, however, invariably recorded in these books. In August 1820, for instance, Giles informed Cobbs that he had sold £2,200 Navy stock on their behalf and the proceeds would be invested in India bonds or Exchequer bills, but this transaction does not appear in the 'bank ledgers'.[3]

From some of the correspondence, it can be inferred that the stock exchange was used as an outlet for the surplus funds of the Margate Bank. Three people, John Curling Cobb, John Barber and Thomas Cobb were at various times concerned with the Margate Bank's investments and considered government securities as an outlet for the Cobbs' funds. Thus, for instance, in 1805, John Curling Cobb was advising Francis Cobb II as to where the

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1. LBA, A20 b/14 ; see pp. 218-9

2. LBA, A20 b/12.

3. Ibid., A20 b/6, for example, July 1811, October 1811, November 1811; ibid., A20 b/36; KAO U1453/B3/14/8, 12 August 1820.

surplus funds of the bank should be invested, in Exchequer bills or in bills supplied by Overend & Co. Cobbs had not had any previous dealings with Overend & Co. and John Curling Cobb expressed a preference for Exchequer bills.[1] In 1818, Thomas Cobb, then living in London, was regularly receiving sums from Margate, either in the form of due bills or through the account at Esdailes, to be employed most commonly in discounting bills with Richardson & Overend and others, but also occasionally to be taken to William Giles for investment in the funds. On 3 January 1818, for instance, he received three due bills for £1,000 each, the proceeds of which he was told to employ with William Giles or Richardson & Overend "as may suit".[2] Similarly, John Barber of Denmark Hill, London, was investing surplus funds from Margate in government securities or in discounting bills of exchange. On 25 September he advised,

> "When you overflow with Money at your Bankers there is no difficulty in the application of it in buying Omn$^{m}$ [Omnium] or Exch$^{r}$ bills or other bills to discount."[3]

Later, in October, he added,

> "I think your account is too large at your Bankers. Ex$^{r}$ bills can always be converted immediately into money should you have a sudden demand for it... I prefer Ex$^{r}$ Bills to any other."[4]

The earliest letter from Cobbs' stock broker, William Giles is dated 8 November 1783 and mentions the purchase of some Consols.[5] The correspondence with this firm continues until 1868. In the period up to 1840, business

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1. KAO, U1453/C9, 24 October 1805, 25 October 1805, 22 October 1805, 28 October 1805; see pp.181-2.

2. Ibid., U1453/C550, especially 4 April 1818, 3 January 1818; KAO (Ramsgate branch), Cobb MSS (uncatalogued). Letters from Francis Cobb to Thomas F. Cobb, 24 September 1816, 26 November 1816,

3. Ibid., U1453/B3/14/3, 25 September 1806.

4. Ibid., 11 October 1806.

5. Ibid., U1453/B3/14/8, 8 November 1783.

was transacted with at least three generations of the Giles family. In a letter of 1789, informing Cobbs of a purchase of 3 per cent. Reduced Annuities, Giles states that he had been instructed

> "to act for you as for myself, and that when the whole was completed I was to give you information."[1]

In most transactions, stock was bought for Cobbs but remained under the names of the brokers. Many of the letters record that stock had been bought or sold "for Cobb & Son from the names of Wm Giles and Wm Giles."[2] This would have made the business of buying and selling stock much easier, quicker and cheaper by dispensing with the need for powers of attorney. This arrangement involved an element of risk for Cobbs, but by acting as agents and by purchasing stock in their own names, the brokers were able to react quickly to changes in the prices of stocks.[3] Sayers has suggested that it was common for country bankers to give the brokers wide discretionary powers.[4] It is not possible to say with certainty what Cobbs' rules of business were in this context, indeed, the correspondence suggests a degree of informality in the relationship and that the extent of discretionary powers may have varied according to circumstances.

Some discretion was required to make the best of the opportunities of the market. An element of discretion was given frequently as to the timing of purchases or sales of stocks. Giles might, for instance, be ordered to purchase or sell stock at a specified price but given discretion as to the exact timing. Thus, in April 1835, after remarking that India bonds

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1. KAO, U1453/B3/14/8, 22 December 1789.

2. Ibid., e.g. 24 January 1807, 28 April 1807.

3. Similarly, dividends were collected in the names of Wm Giles and Wm Giles, KAO, U1453/B3/14/8, 8 July 1826.

4. Sayers, op.cit., p. 186.

had been quoted that day at between 19s. and 21s. premium, he referred to Cobbs having given him an order for sale when they reached 22s. premium.[1] In September 1824, after having purchased Exchequer bills, Giles asked Cobbs at what price he should sell in the event of a rise, which he thought might occur in the following months at the time of the payment of the dividends.[2] Against the background of political disturbances in Europe, however, Giles was only willing to act on the strictest and most express instructions from Cobb. Thus, in November 1832, Giles declined to execute an order unless he had further express instructions from Cobb.

> "The Newspapers state that the French troops have crossed their frontier. Under these circumstances I shall therefore of course not make any purchase either of the £5,000 or £1,143 until I again hear from you."[3]

Under these circumstances the market was vulnerable to large fluctuations and clearly Giles was unwilling to be responsible for any loss that might occur through any error in the use of a discretionary power. Such a mistake occurred in August 1800 when Giles had been ordered to purchase Reduced annuities. The news that a messenger had been sent to France gave rise to expectations of peace and led to a rise in the funds. Giles had evidently delayed the purchase and missed this opportunity, for he wrote to Cobbs,

> "Thus has the power you have given us to avail ourselves of the best opportunity been very unfortunately exercised in the present instance & this is an additional proof of the inutility of opinion on a subject which reason is often set at defiance & every vague speculation substituted in its stead."[4]

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1. KAO, U1453/B3/14/8, 10 April 1835.
2. Ibid., 30 September 1824, see also 14 August 1824.
3. Ibid., 19 November 1832; see also p. 208 above.
4. Ibid., 30 August 1800.

On other occasions, Giles assumed a wider power of discretion. In September 1824, for instance, Giles notified Cobbs that he would purchase Exchequer bills "the first favourable opportunity which may offer... unless I hear from you to the contrary."[1] Similarly in August 1827, Giles sold £4,000 New 4 per Cent. Annuities but added,

> "He [William Giles senior] thinks it may perhaps be well, should it meet your approbation, to repurchase in case of a decline again to about the former price, viz. 100½, and will therefore consider himself at liberty to do so unless he shall hear either from yourself or from Mr Cobb Senr to the contrary."[2]

Cobbs purchased a great variety of government securities, Reduced stock, Consols, Navy bills and stock, Long Annuities, Omnium, scrip and India Bonds. Among the most frequently mentioned were Exchequer bills. Exchequer bills have been commonly found among the assets of the country bankers of the late eighteenth and early nineteenth centuries. In most cases the size of investments in these assets was not large or regular, but seen as a temporary outlet for surplus funds.[3] Cobb & Son's investments in Exchequer bills fit in with this general picture for most of the period. The popularity of these bills dates from the time of the Revolutionary and Napoleonic Wars when a large market was created in these securities. In earlier decades the volume of Exchequer bills had been small and their circulation consequently restricted, but by 1792 there were over £11 millions and a maximum of over £59 millions by the end of 1814.[5] By the turn of the century, they were, according to Mortimer, "very current at market".[6]

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1. KAO, U1453/B3/14/8, 24 September 1824.
2. Ibid., 9 August 1827; see also P.G.M. Dickson, The Financial Revolution in England, (1967), pp. 365-392.
3. Pressnell, op.cit., p. 422.
4. Mortimer, op.cit., p. 175; Pressnell, op.cit., p. 420.
5. Ibid., pp. 420-421.
6. Mortimer, op.cit., p. 175; Pressnell, op.cit., p. 420.

Comparing them with India bonds he commented that:

> "they are more eligible... as being a Parliamentary security, and as readily turned into money upon any sudden emergency."[1]

The marketability of Exchequer bills was still a factor in their favour in 1839 when Cobbs' broker made a similar comparison with India bonds. Giles had just purchased £2,000 India bonds for Cobbs but noted that "there has been very little passing in these securities of late."[2] and added:

> "I think that I should myself on the whole rather prefer Ex$^{r}$ Bills to India Bonds under present circumstances as being more marketable in case of heavy pressure."[3]

Another reason for their rise in popularity was the high rate of interest they offered. For nearly fourteen of the years between 1797 and 1815 they bore the equivalent of an annual rate of 5.32 per cent. Since, like other government securities, they could be bought and sold in the market place they could yield a return that was higher than on other investments where the rate of interest was restricted by the Usury Laws. Henry Thornton, for instance, stated that it had been possible to earn as high a return as 18 per cent. by investing in Exchequer bills when they were at a discount in 1797.[4] After the war, when interest rates were falling, the government was apt to push the interest rate on Exchequer bills down to a level below the yield on Consols. They consequently began to lose ground to other forms of investment. The market for Exchequer bills had declined by 1840 to such an extent that it was difficult to sell them in any large quantity even in ordinary times.[5] Nevertheless, they remained a common security in

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1. Mortimer, op.cit., p. 175.
2. KAO, U1453/B3/14/8, 2 September 1839.
3. Ibid.
4. Pressnell, op.cit., pp. 95-96.
5. Gilbart, op.cit., vol. I. p. 298.

banking portfolios at least until the 1840s when extensive forgeries in 1841 caused them to be looked on with particular disfavour.[1]

Unlike Consols and other perpetual annuities, Exchequer bills were paid off by the government after a fixed period. Most Exchequer bills were redeemed after a year, a period longer than that usual in the case of commercial bills of exchange. Nevertheless, this did help to make them a safer investment than many other government securities. Exchequer bills were redeemed at par and this, together with their fixed 'period' of currency, helped to limit any fluctuations in their price.[2] If interest rates were rising, for instance, the value of Exchequer bills would fall and losses would result if they had to be sold before they reached maturity. The risk of such a fall was pointed out by Giles in August 1800, although the extent of the fluctuation was likely to be limited:

> "It is possible they may be at a discount - but, this I should think is not very likely, unless the stocks have a very considerable fall."[3]

After the Napoleonic Wars, in the years 1816, 1819 and 1820 at least, Exchequer bills did indeed fall to a discount.[4] For Cobbs, though, this

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1. Pressnell, op.cit., pp. 423-424; Sir J.H. Clapham, The Bank of England, (1944), vol. II, pp. 136-137; F.W. Fetter & D. Gregory, Monetary and Financial Policy, (Irish University Press, 1973), pp. 71-74; BPP, Report on the Issue of Exchequer Bills and Forged Exchequer Bills, 1842, vol. XVIII.

2. KAO, U1453/B3/14/8, 2 May 1829.

3. Ibid., 11 August 1800.

4. Pressnell, Country Banking..., op.cit., p. 66.

was also an opportunity for profit, since the government would receive most Exchequer bills at par for the payment of duties such as the malt tax and the beer duty. This fact was remarked upon by William Giles in 1816 and 1819.[1] This was yet another factor tending to pull Exchequer bills up to the par value. In September 1819, for instance, Giles was encouraging Cobbs to buy Exchequer bills on these grounds.

> "I should think if you can spare money it would be well to lend out for about 3 weeks in Ex[chequer] bills, for I think it almost certain that bills will advance 5/- or 6/- p Ct in that time.
> You are perhaps aware that almost all Ex bills are now taken for duties at par. I do not know whether the payments made by you for Malt, Beer Duties etc are of an amount to render it worth while to purchase for this purpose, but I am of the opinion that this circumstance will keep bills from remaining long at the present discount, for should this be the case the minister receiving a very large proportion of the duties in bills& not in money, will most certainly be obliged to raise the Int$^{t}$. Be sure not to sell your Ex Bill if you can raise the money @ 5 p. Ct."[2]

India bonds were, like Exchequer bills, a suitable outlet for temporary surplus funds. Cobbs did not purchase them as frequently as Exchequer bills, although they do seem to have been regarded as an alternative. In August 1820, for instance, Giles sold £2,200 of Navy stock on behalf of Cobbs and informed them that he would invest it in either Exchequer bills or India bonds.[3] Mortimer described India bonds as

> "the most convenient and profitable security any person can be possessed of, who has a quantity of cash

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1. KAO, U1453/B3/14/8, 21 August 1816, 1 March 1819, 21 September 1819. This did not apparently apply to land and assessed taxes, since the revenue collectors complained in 1821 that they had lost heavily through a fall in the market when they came to sell Exchequer bills to pay taxes over to the government. Pressnell, Country Banking..., op.cit., p. 66; BPP, Minutes of Evidence, Select Committee on Land and Assessed Taxes, 1821, vol. VIII, pp. 36, 51, 59-60.

2. KAO, U1453/B3/14/8, 21 September 1819.

3. Ibid., 12 August 1820.

> unemployed, but which he knows not how soon he may have occasion for.... There is as little trouble with an India Bond as with a Bank note. It is not, indeed, current in the common course of business, but may always be sold in office hours, at any of the public offices, as well as at the Stock Exchange."[1]

Nearly a quarter of a century later, Fairman, in An Account of the Public Funds in 1824, similarly described India bonds as

> "particularly convenient for such persons as have money to lay out which they may have occasion for at an uncertain time; and likewise for public companies and societies to keep in hand to answer emergencies."[2]

One feature that helped to increase the marketability of these bonds was that once there was six months interest due on them they were receivable by the East India Company as cash.[3] It was consequently an advantage to buy bonds with at least six months' interest due. In October 1834, Giles bought £11,000 East India Bonds for Cobbs with six months' interest unpaid for this reason.[4] Bonds were preferred to stock because they were thought to be less liable to any serious fluctuation.[5] This particular transaction does, however, illustrate that even India bonds could suddenly fall in value.

Giles had predicted that the stocks might rise between ½ and 1 per cent.in the short run but feared a more serious decline in the long run. Consequently he purchased India bonds in the belief that they were a safer

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1. Mortimer, op.cit., pp. 172-173.
2. Fairman, op.cit., p. 136.
3. Ibid., p. 136.
4. KAO, U1453/B3/14/8, 13 October 1834.
5. Ibid.

investment, but unfortunately for Cobbs, there was, despite Giles's prediction, a serious fall in the value of India bonds in the first half of 1835. Giles was ordered to sell the bonds when they reached 23s. or 24s. premium,[1] but on 10 April they were being quoted on the market at 19s. to 21s. premium.[2] By the end of the month they had fallen to 14s. to 16s., and by the end of May to 2s. to 5s. premium.[3] The reason for this decline, quoted by Giles, was the boom in foreign investment. On 30 April he explained that he was

> "not aware of any particular reason for the decline except perhaps the somewhat increased demand for money caused by the speculations which lately have been going on in the foreign stocks which now absorb a large amount of capital."[4]

In this year a boom was gathering momentum in American investments while the stock exchange was also raising political loans for groups in Spain and Portugal and loans for the Government of Belgium to promote industrial and railway development. This, combined with a domestic investment boom in railways, shipping, cotton, coal, iron and joint stock banking, was evidently diverting funds away from British Government securities such as Exchequer bills, which were also falling, and securities such as India bonds.[5] At the end of May, Giles was writing

> "I am afraid that we can hardly expect to see the prices of these securities reach their former level, at least for some time."[6]

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1. KAO, U1453/B3/14/8, 13 October 1834, 20 March 1835.
2. Ibid., 10 April 1835.
3. Ibid., 30 May 1835.
4. Ibid., 30 April 1835.
5. Ibid., 30 May 1835; L.H. Jenks, The Migration of British Capital to 1875, (1963 ed.), pp. 81-84.
6. KAO, U1453/B3/14/8, 30 May 1835.

Furthermore, the state of affairs in Spain seemed to indicate the possibility of a further fall.[1] Cobbs sold £5,000 of their India bonds on the 4 June. When the other £5,000 was sold is unknown, but in September 1835, Cobbs were again purchasing India bonds, this time at 5s. per cent. premium. It was probably these bonds that appeared in the Cobbs annual cash account for September 1835.[2]

A third group of short-term securities to be found in Cobbs' ledgers are the various bills used to finance the armed services,including Navy, Victualling and Transport bills. These bills were issued to contractors in payment for such items as the building of ships, the supply of provisions for the Navy and the transport of troops and stores. All these bills could be bought and sold in the London money market. In the eighteenth century, Navy bills offered opportunities of high, if speculative returns. Mortimer, for instance, refers to "enormous profits" having been made by purchasers of these bills before 1797 when Navy finance was reformed.[3] This was a result of the Navy department's difficulty in discharging the bills promptly. No proper provision was made for the repayment of Navy bills while the interest on these bills was not paid until several months after they were issued. The delays and uncertainties in relation to payment resulted in the bills being at a substantial discount (e.g. 21 per cent. in January 1784). Contractors were compensated by having the amount of the current discount added to the amount of the goods delivered,[4] while for investors willing to wait a moderately long, if indefinite period, or to gamble on a fall in the discount rate, there was the prospect of a high return.[5]

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1. KAO, U1453/B3/14/8, 30 May 1835.
2. LBA, A 20 b/12.
3. Mortimer, op.cit., p. 174; see also, Dickson, op.cit., pp. 393-406.
4. Fairman, op.cit., pp. 151-153.
5. Pressnell, op.cit., p. 425.

Such methods of finance were expensive for the government, and between 1794 and 1797, a series of reforms reduced the cost of borrowing by making definite provision for the repayment of the bills within a period fixed from the date of their issue, and by securing the regular payment of interest.[1] From that time on, Navy and Victualling bills took the form of bills of exchange drawn at ninety days date and were negotiated as bills of exchange.[2] This put an end to the very high returns that could be obtained by the purchase of these bills.

The general picture with regard to country bank investments in such assets is that it was not uncommon, particularly in the late eighteenth century, but that holdings were rarely large. This was because of their speculative character. By the early nineteenth century, the rate of return might have been lower but they had taken on the character of good bills of exchange and thus might have proved attractive to banks with surplus funds to invest.[3] The Taunton Bank of Brickdale & Co., for instance, invested in Navy bills worth over £14,000 and Transport bills worth about £2,750 in a period of about four years between 1796 and 1800.[4] In the case of other banks, Surtees of Newcastle and Praed's of Truro, in 1800-1801, only a few references to Navy bills have been found, while none at all have been found in the accounts of the Sleaford bank.[5]

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1. Hargreaves, op.cit., pp. 117-118; Fairman, op.cit., pp. 152-154.
2. BPP, Report of the Select Committee on the 11th Navy Report, 1805, II, pp. 659-673; Fairman, op.cit., p. 154.
3. Pressnell, op.cit., pp. 425-427.
4. Ibid., p. 427.
5. Ibid., p. 427.

In the case of the Margate Bank there are few appropriate records for the period before 1806, although there is a reference to Cobbs having a Navy bill in 1795.[1] After 1806 there is a fair amount of evidence of Cobbs investing in Navy, Victualling and Transport bills, but never in any great quantity. In February 1808, for instance, Cobbs held three Navy bills, one for £200, one for £44.15s. and one for £12.10s.10d., plus a Victualling bill for £212.12s.[2] Further bills occasionally appear in the ledgers, some of them evidently received by Cobbs' customers in payment for goods supplied. One such case is John Tring, a butcher with premises in the Market Place in Margate. Cobbs discounted a bill for Tring in each of the months between August and December 1808 inclusive. Each was for a relatively small amount, the largest being that for November at £50.1s.7d.[3] The following March, Cobbs discounted two Navy bills for Tring totalling £59.19s.3d.[4] Such bills could also be procured through the London money market. In 1806, for instance, Cobb & Son procured Navy, Victualling and Transport bills from the bill brokers, Richardson & Co.[5]

The Margate Bank also received other types of bills from the armed services. In July 1812 and in July 1813, Cobbs discounted 'Barrack bills' for one of their customers, Charles Boncey. Each was drawn at one month sight, and were for small amounts, the first for £27.9s. and the second for £27.6s.[6] More common were bills drawn by the paymasters of various

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1. KAO, U1453/B3/14/8, 10 December 1795.
2. LBA, A20 b/2 pp. 29, 33.
3. Ibid., A 20 b/6.
4. Ibid.
5. KAO, U1453/B3/14/3, 24 January 1806, 11 November 1806.
6. LBA, A20 b/6.

regiments passing through the locality to and from the Continent. These bills were usually drawn on Cocks & Co. of London. This bank specialised in army agency work and acted as agents for most regiments by the time of Waterloo.[1] Paymasters of the various regiments would be introduced to Cobb & Son by Cocks & Co.[2] Cobbs would then discount drafts on Cocks & Co. to pay for accommodation, supplies and soldiers' pay.[3] In 1808, Cobb & Son claimed that ever since their foundation they had assisted the armed services by "advancing without hesitation" on the drafts of regimental paymasters.[4] This included

> "a readiness in procuring Cash and Bank Notes upon sudden embarkations of Reg^ts or other emergencies altho' sometimes attended with considerable inconvenience to themselves."[5]

One instance of this is contained in a letter of 1808 from William Riddle of the London Hotel in Ramsgate;

> "I have just arrived at this place again, and shall thank you to be over here to Morrow Morning about 11 or 12 o'clock with about £900... of which you have the goodness to bring about £2 or 300 in gold, being so extremely busy, which prevents me to come over myself."[6]

It was usual for drafts to be drawn on Cocks & Co. at thirty days sight, but in the following month Riddle had been instructed to draw a draft for £612.10s. at sixty days instead of the usual thirty days.[7] Other paymasters that can be traced include James Williams (1814-1815),[8]

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1. Sayers, op.cit., pp. 190-192.
2. KAO, U1453/B3/15/822, 17 October 1803.
3. Ibid., 19 June 1807, 16 March 1809, 10 July 1809.
4. Ibid., Copy of a memorial of Cobb & Son to HRH Duke of Kent.
5. Ibid.
6. Ibid., U1453/B3/15/1596, 25 April 1808.
7. Ibid., 1 May 1808, 16 July 1808.
8. Ibid., U1453/B3/15/2134.

R.M. Bates (1805-1806),[1] D. Campbell (1809-1810),[2] William Gunn (1815)[3] and H. Power (1808).[4] The case of the latter illustrates some of the risksof this business. Major H. Power was paymaster to the 3rd Light Dragoons Regiment of the King's German Legion, and in the course of about 2 months Cobbs cashed his drafts for over £7,000.[5] Unfortunately, Cocks & Co. refused to pay £1,300 of this. The circumstances of this advance were that the regiment was under orders to embark for the Continent.

Cobbs claimed that under such conditions, which were not unusual in this kind of transaction, it was not possible to ascertain the validity of the bills and that, in any case, they had no suspicion that there was anything irregular about the transaction.

> "C & S have always understood that Pay Ma^rs^ are not permitted to draw upon their Agents till the money for the service is actually needed and under these circumstances they submit that it is not possible to ascertain the validity of Dfts previous to advancing upon them, as from hence a period of four days at the least must elapse for that purpose, & it is most clearly evident that in this present case no such delay could possibly have been dispensed with."[6]

There followed a lengthy correspondence on the subject until 1825, including 'Memorials' to the Duke of Kent, the Duke of Cambridge, Sir E. Knatchbull and others in an attempt to recover the money. Neither the War Department nor the Treasury would admit responsibility and the drafts remained unpaid.[7]

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1. KAO, U1453/B3/15/92.
2. Ibid., U1453/B3/15/311; U1453/B3/15/822, 10 July 1809.
3. Ibid., U1453/B3/15/840.
4. Ibid., U1453/B3/15/1529.
5. Ibid., Copy of Memorial of Cobb & son to HRH Duke of Kent.
6. Ibid.
7. Ibid., U1453/B3/15/1529, U1453/09/1-77.

Turning to Cobbs' investments in the government's perpetual annuities, such as Consols and Reduced stock, the dominant impression is that, as with Exchequer bills and India bonds, they were used primarily as a temporary outlet for surplus funds. There is no evidence to suggest that there was any policy of keeping a fixed proportion of funds in such assets as Consols as a reserve as became the common practice later in the nineteenth century. Instead, a wide variety of stocks were frequently bought and sold to realize profits from the fluctuations of the market. In the majority of cases Cobbs bought stock in hope of making a speculative gain from a rise in their capital value, although occasionally, Giles could offer them an investment in stocks for a few months at a modest rate of interest and a guaranteed return of the capital at the end of the period. Such an opportunity occurred in 1834 as a result of the Government's intention of reducing the rate of interest on the 4 per cent. stock of 1826 to 3½ per cent. Those who did not assent to the conversion could have their stock redeemed in cash. This was, as Giles pointed out, a safe way of employing money at 3 per cent. for five months at a time when Overend & Gurney were only paying 2¾ per cent. on money deposited with them at call.[1]

> "if you are now disposed to employ any further amount of money at 3 per cent interest till October, that rate would... be fully obtained by purchasing 4 per cents at 100⅝ (the present price) and declaring on or before 28 Inst your dissent from the Government offer and claiming to be paid off in money. This seems to me to be an employment of money for 5 months at 3 per cent without risk."[2]

Cobbs' general rule of business for investing in 'The Funds' was expressed in a letter from Fancis Cobb II's brother-in-law, John Barber, in 1806. He advised that Cobbs would do best

1. KAO, U1453/B3/14/20, 5 May 1834.

2. Ibid., U1453/B3/14/8, 9 May 1834.

> "by waiting for opportunities both for buying and selling; never buy when they are high or sell when they are low."[1]

One of the earliest letters from Giles, of December 1795, concerns the purchase of £3,000 Consols which, besides yielding 4½ per cent. interest, it was hoped would rise in value between 10 and 15 per cent. if an end to the war was announced.[2] Later, in July 1800, Cobbs left some surplus funds with Giles for investment and he advised that Reduced stocks were as "cheap as anything" and that "should stocks rise 1 p.C. or more it would be well perhaps to take the advantage of it".[3] A possible opportunity for speculation arose in November 1819 at a time when the market was quite depressed. Cobb & Son were seeking advice as to whether it would be profitable to sell their Excehquer bills and purchase stock. Giles' reply was that

> "it is very difficult to form an opinion. The Stocks have had a large fall, but the markets do not appear very good. Possibly, however, if there should be a sudden depression from the present prices an investment in stock might not be injurious... It generally happens that in our speculation (whether for a rise or a fall) the business is overdone & a reaction takes place. Should you determine on a purchase therefore, it would be well to avail yourselves of any sudden rally, & to realize at once a moderate profit.[4]

Similarly, on purchasing £2,000 New 4 per cent. annuities in July 1824, Cobb & Son were advised to avail themselves "of the first moderate favourable fluctuation."[5] Cobbs were rarely content to leave their money invested in a single stock and simply collect the interest if profits could be obtained by switching from one stock to another. One such change

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1. KAO, U1453/B3/14/3, 29 August 1806.
2. Ibid., U1453/B3/14/8, 3 December 1795.
3. Ibid., 2 July 1800.
4. Ibid., 1 November 1819.
5. Ibid., 3 July 1824.

was suggested in August 1825;

> "As the stock in our names is not doing much good, what think you of an exchange to 3½ p c? which pay the div$^{d}$ next quarter. We could either keep them & receive the divd or make an early small profit should it offer before. Of course everything with us is uncertain but the 3½ p.c. have been comparatively heavy for the period of the quarter."[1]

These instructions were evidently followed as in the following November Cobbs were considering selling out of the 3½ per cents. and buying Consols, although Giles would not recommend the transaction as it would only result in a profit of "about £30 to £40".[2] Again, in February 1827, Giles sold £4,550 3 per cent. Consols and invested the proceeds in Reduced 3½ per cent. annuities, adding that he would move back into the 3 per cent. Consols before the shutting of the 3½ per cent. Reduced in the early part of the following month if a profitable opportunity ever arose.[3] There is evidence of similar moves being made in 1800 when Reduced stock was exchanged for Exchequer bills, and in 1820 when Navy stock was sold in favour of a purchase of Exchequer bills.[4] On other occasions stock was sold and then repurchased once the price had fallen. In 1827, for instance, William Giles said he considered himself at liberty to repurchase New 4 per cent. annuities if they fell again to their former price,[5] and in May 1824, after notifying Cobbs that he had sold £225 Reduced, he recommended that they should be repurchased as their prices had subsequently fallen.[6] In 1800, Giles

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1. KAO, U1453/B3/14/8, 5 August 1825.
2. Ibid., 26 November 1825.
3. Ibid., 6 February 1827.
4. Ibid., 5 August 1800, 12 August 1820.
5. Ibid., 9 August 1827, see p.217 above.
6. Ibid., 26 May 1824.

sold £3,290 Consols and commented

> "It will be well perhaps, should Consols have a sudden fall of 1 p.C. or more to replace them if you should not be in want of the money."1

Among the favourite items for speculation in the late eighteenth and early nineteenth centuries were the Omnium or the scrip of the latest government loan. Governments of the period generally preferred to raise loans in 3 per cent. stocks. There were two main reasons for this; firstly, the greater proportion of the national debt had historically been raised in 3 per cent. stocks and hence they were preferred by the investor and the speculator because the market for them was wider. Secondly, and of greater importance, was the consideration that 3 per cent. stocks were less likely to be converted to a lower rate of interest if, as seemed likely, the value of stocks rose after the ending of hostilities. Holders of three per cent. stocks would, in consequence, be likely to profit from a greater appreciation in the prices of their stocks compared with those stocks initially negotiated at a higher rate of interest.[2] With high market rates of interest during the war period, subscribers had to be attracted by offering 'douceurs', a variety of stock combined in a single loan, to bring the price of the main loan as close as possible to par. In 1779, for instance, for every £100 subscribed, the investor received £100 in 3 per cent. stock, plus an annuity of £3.15s. for twenty-nine years and tickets for a lottery with prizes amounting to £480,000.[3] In 1783, a greater variety of stocks was offered to subscribers. For every £100 cash subscribed, the investor received £100 in 3 per cent. stock, an annuity

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1. KAO, U1453/B3/14/8, 1 March 1800.

2. Hargreaves, op.cit., p. 113.

3. Ibid., p. 67.

of 13s.4d. for seventy-seven years, £25 in 4 per cent. stock and £25 in 4 per cent. annuities. Every subscriber for £1,000 was offered the further inducement, on the payment of an extra £10, of four tickets in a lottery.[1] The main loan and the 'douceurs' were known collectively as the 'Omnium'.

To reduce the possible strain on the money market, an instalment method of subscription was used which spread the business of subscription over a period of several months. Loans would normally be payable in eight to ten instalments of ten to fifteen per cent. each.[2] A discount was allowed for payment in advance of the due dates, and when paid in full, the Omnium was known in the market as 'heavy horse'. For speculative purposes, however, 'light horse', with only the appropriate instalments paid was preferred, as it offered greater opportunities for profit.[3] 'Light horse' or 'scrip' as the constituent parts of the loan were known in their partially paid up form, were subject to greater fluctuations than fully-paid stock, partly because it was held by speculators to a much greater extent than fully paid stock.[4] Profits could obviously be reaped if prices rose, but it was also profitable to buy scrip if its price fell below the corresponding level of the fully paid stock. In such circumstances it would be profitable to pay up the remaining instalments in advance, taking the appropriate discount, and sell the fully paid stock.[5]

Investments in Omnium or scrip were widespread among country bankers although, no doubt because of their speculative character, the scale of such investments was rarely substantial.[6] The Cobb records indicate

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1. Pressnell, op.cit., p. 429.
2. Sraffa & Dobb, op.cit., vol. X, pp. 76-77.
3. Mortimer, op.cit., pp. 162-165.
4. Sraffa & Dobb, op.cit., vol. X, p. 71.
5. Ibid., p. 71.
6. Pressnell, op.cit., pp. 430-434.

that the Margate Bank fits in with this general picture. Omnium was purchased in the following years at least; 1806, 1807, 1808, 1812 and 1835,[1] and was simply another alternative outlet for some of Cobbs' surplus funds.[2] Thus, Cobb & Son bought two Omnium receipts of £5,000 each in 1807. Both of them were 'light horse', the first bought on the 21 March at a cost of £550, and the second on 24 March at ¼ per cent. premium for £512.10s.[3] The two receipts were then sold at a profit after a few months, the first on 29 April at 1½ per cent. premium and the second on 17 June, also at 1½ per cent. premium.[4]

Cobbs had made a similar investment for a few months in an Omnium receipt for £5,000 in the previous year, purchasing it on 8 April 1806, and selling in the middle of June.[5] Cobbs were interested in buying another £5,000 receipt if the price fell to 1½ per cent. premium and although this was not possible in April, there is evidence that at the end of the year they held a receipt for £2,000.[6] As far as can be gathered from the surviving evidence, these transactions represent about the highest receipt values that Cobbs held in Omnium at any one time. The actual financial commitment, however, depended on the number of instalments that had been paid, and in 1812 and 1835 Cobbs were considering converting 'light horse' into 'heavy horse' by paying all the instalments in advance and taking the discount for advance payment. In 1835, Giles advised that, providing Cobbs could employ their money in other channels at

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1. KAO, U1453/B3/14/3, 26 November 1806, 27 November 1806, 20 June 1808, 6 December 1808; U1453/B3/14/8, 24 March 1807, 9 June 1812, 10 August 1835.

2. Ibid., U1453/B3/14/3, 25 September 1806, see pp. 174-5 above.

3. Ibid., U1453/B3/14/8, 21 March 1807, 24 March 1807.

4. Ibid., 29 April 1807, 17 June 1807.

5. Ibid., U1453/B3/14/3, 8 April 1806, 17 June 1806.

6. Ibid., 8 April 1806, 21 November 1806, 26 November 1806, 27 November 1806, 1 December 1806.

the current rate of interest, there was little advantage in paying the subscriptions in advance.[1] Similarly, when Cobbs bought some Navy scrip in 1820, Giles advised that there was no advantage in paying the subscriptions in advance since the discount allowed was only 3½ per cent. when the market rate of interest was 4½ per cent.[2]

During the Napoleonic Wars it was usual for the Government to place the whole of a loan with a group of contractors rather than leave it open to the public. The contractors, who were answerable for the whole loan and paid the necessary deposit, were generally wealthy London merchants, bankers and stock-brokers. On applying to the Chancellor of the Exchequer for the opportunity of taking the loan, each prospective contractor would form a list of subscribers who had agreed to take a share in the loan and to pay the deposit. It was particularly advantageous to be included on such a list of subscribers as the contractor normally obtained the loan on more favourable terms than the relevant stocks were quoted in the market, the difference being known as the 'bonus to the contractor'.[3] Cobb & Son were evidently interested in being included on the subscription list for different government loans,but they were only rarely successful. The contractors generally included their own friends and connections on the subscription lists and Cobbs were rarely sufficiently closely connected. The London bankers, Robarts & Co., wrote to Cobbs in 1802 that because of the "numerous applications" from "particular and attached friends" they could not include Cobbs on their list for the loan of 1802.[4]

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1. KAO, U1453/B3/14/8, 9 June 1812, 11 June 1812, 10 August 1835.

2. Ibid., 2 April 1820, 5 June 1820, 9 June 1820.

3. Mortimer, op.cit., pp. 159-161; Sraffa & Dobb, op.cit., vol. X, pp. 75-85; Hargreaves, op.cit., p. 110.

4. KAO, U1453/B3/15/1605, 31 March 1802.

In 1806, Cobbs approached Esdailes, Robarts and Richardson & Overend in an attempt to be included on a subscription list for the loan of that year without any apparent success.[1] Success came in 1835, however, when Overend & Gurney were included in Rothschild's list for £3,000 on Cobbs' behalf. the Omnium that was subsequently allocated to Cobbs was sold within a matter of weeks at a premium of 3 per cent.[2]

As well as contracts for the immediate purchase or sale of stocks, brokers were willing to buy and sell for time, that is, they would make contracts for the transfer of stock at some specified time in the future.[3] The Cobb records contain some evidence of this sort of dealing. One letter from William Giles, for instance, stated that he had sold £1,000 Consols for the following Tuesday.[4] It was usual for such contracts to arrange for the transfer of stock on the 'settling days', the days on which the members of the stock exchange settled their accounts, of which, according to Mortimer, the four most important occurred in February, May, August and November.[5] Such transactions gave scope for speculating on the future prices of stocks. There are few references to such speculations in the Cobb records, but on 8 June 1813, Cobbs clearly instructed their stock-broker to make a speculative purchase for time.[6] This was in response to Giles' letter of the previous day in which he commented that Reduced stock and Consols could be bought"nearly as low for a month

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1. KAO, U1453/B3/14/3, 10 March 1806, 13 March 1806.

2. Ibid., U1453/B3/14/20, 27 July 1835, 1 August 1835, 10 August 1835, 17 August 1835, 21 August 1835, 22 August 1835.

3. Mortimer, op.cit., p. 45.

4. KAO,U1453/B3/14/8, 2 November 1816.

5. Mortimer, op.cit., p. 47; By 1812 there were settlement days every month, Morgan & Thomas, op.cit., p. 60.

6. KAO, U1453/B3/14/8, 7 June 1813, Cobbs' reply dated 8 June 1813.

as for money".[1] The prices of these stocks were low, but he appeared to indicate that prices might rise in a month.

> "With respect to opinion on the subject it is hardly possible to say anything, the present depression is occasioned by the nearness of the loan which will be bid for on Wednesday Morng next & I think,that about that period stocks may be as low as they are likely to be at present , independent of political events."

Cobbs consequently purchased £6,000 Reduced stock for time, the stock to be delivered a month later.[2] If, at the end of the month the price of stock had fallen so that Cobbs would lose on the delivery of the stock, the transaction could be carried over to the next period by Cobbs paying the 'continuation'. Gilbart explains the continuation as being the difference between the price for time and the price for money when the former is higher than the latter.[3] Similarly, according to Mortimer, the 'continuation' was a premium of between 1 and 3 per cent. given

> "when the price of a fund, in which you have a jobbing account is higher for time than for ready money, and your settling day is arrived."[4]

Alternatively, if stock-brokers had engaged to deliver more stock than they possessed at the time of settling, the price for money might rise above that for time, in which case those who had engaged to sell stock would pay a premium known as 'backwardation' to postpone their having to deliver the stocks.[5] The normal situation, however, was for the price for time to exceed that for money. The amount of the continuation depended on several factors; the time before the next settling day, the abundance of money, the market rate of interest and the abundance or scarcity of stock; the last being the factor leading to the occasional

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1. KAO, U1453/B3/14/8, 7 June 1813, Cobbs ' reply dated 8 June 1813.
2. Ibid.
3. Gilbart, op.cit., vol. I, p. 307.
4. Mortimer, op.cit., p. 72.
5. Gilbart, op.cit., vol. I, pp. 307-308.

substitution of backwardation for the continuation.[1]

There seems to be no evidence of Cobbs having extended a transaction in this way, but there is some evidence of their having borrowed and loaned money on continuation. If a banker wanted to invest a sum for a short period, he could do so by buying stock for money and selling it for time, the difference between the two, the continuation being his profit. Alternatively, if he required cash for a short period he could raise it by selling stock for money and buying it back for time, the continuation this time being, in effect, the interest on the loan.[2] The references to Cobbs' lending on the continuation are very few. It was considered in March 1819 but the possible profit was not thought to be "sufficiently large... especially when the risk is considred."[3] In October 1816, it appears that William Giles suggested Cobbs should invest funds in this way.

> "You will understand...", he explained, "that I wish to advance the money before the acct day, on that day I can replace it at Esdailes."[4]

Five years earlier, in the difficult year of 1811, Cobbs borrowed money on continuation. To strengthen their reserve, the Margate Bank borrowed £20,400 Consols from Francis Cobb II's brother-in-law, John Chippendale.[5] Between March and May of that year, a portion of these

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1. Gilbart, op.cit., vol. I, p. 307; Morgan & Thomas, op.cit., pp. 60-61.
2. Gilbart, op.cit., vol. I, pp. 306-7.
3. KAO, U1453/B3/14/8, 1 March 1819.
4. Ibid., 7 October 1816.
5. LBA, A20 b/12, pp. 67-68.

Consols were used to raise money on the stock exchange. The entries in the Bank Ledger for the month of July are as follows;

| | | | £.s.d. |
|---|---|---|---|
| March | 27 | W.Giles Com$^{n}$ on Sale of 8M Consols @ 64½ (5160) | 5.0.0. |
| May | 20 | W.Giles loss on replacing 8M Consols @ 65$^{1}/_{8}$ (5210) | 50.0.0. |
| May | 20 | W.Giles Com$^{n}$ on replacing 8M Consols | 5.0.0.[1] |

Between the foundation of the bank and 1840, Cobb & Son bought an extremely wide range of government securities; Navy, Victualling and Transport bills, etc. were discounted for the bank's customers who had received them for goods and services to the armed forces, or alternatively, were procured through the London money market, notably from the London bill-brokers, Richardson, Overend, Gurney & Co. On the stock exchange, Cobbs bought and sold almost every security that was available, from medium-dated securities, such as Exchequer bills and India bonds to perpetual annuities, such as Consols, Reduced and Navy stock, through to more speculative dealings in Omnium, scrip and for time. When the main evidence of Cobbs' stock exchange business consists of a great mass of correspondence, when references to stocks in the ledgers and annual accounts are few and there is no separate summary account, it is difficult to come to any firm conclusions. The main impressions are, that of all the securities, the most commonly purchased were the relatively safe Exchequer bills and India bonds and that the more risky forms of speculative investment were much less common. There is no evidence to suggest, at least until the very end of the period, that Cobbs had any policy of keeping a fixed proportion of their assets in government securities, and certainly not in 3 per cent. Consols as became almost universal in the latter part of the nineteenth century. On the contrary, the main impression is that

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1. LBA, A20 b/6.

government securities were used as short-term outlets for surplus funds, ranging from a few weeks to a few months or a year. In most cases, purchases were made in the expectation that the prices of stock were about to rise and in such circumstances, quick reactions were needed to benefit from the fluctuations in the market. Consequently, Cobbs' brokers were given a varying degree of discretion, according to the state of the market, and purchases and sales were made in the names of the brokers. This dispensed with the need for powers of attorney and gave the transactions a degree of anonymity.

# CHAPTER 6

## Advances and Discounts in the Country

Since the 1950s, the role of country banks in the finance of trade and economic development has undergone something of a reappraisal. At one time, text-books had conventionally maintained that there was little connection between banking and industry and that their contribution to the industrial revolution was consequently of little significance. The post-war accumulation of business histories of individual firms, together with more general surveys of banking records, have greatly modified this view. This is most clearly seen in the discussion in the provision of short-term capital. The provision of such credit accorded with orthodox banking theory which stated that short-term loans were to be preferred to maintain a high degree of liquidity to meet sudden demands for the payment of notes or the withdrawal of deposits. Hence, one of the bankers' most prized assets was the short-term commercial bill of exchange, the product of a 'real' transaction which provided the means of repaying the advance once the bill became due. Short-term lending by the banks in all its forms, discounting bills, granting overdraft facilities and advances on notes and bonds, helped to increase the turnover of working capital, release private capital that would otherwise be tied up in stocks or goods in the process of manufacture, for investment in fixed capital and underpinned the whole system of trade credit.

The acknowledged importance of short-term lending and, in particular, bills of exchange, in the asset structure of the banks of the period, together with the rise of the London discount market to match the demands for discounts in the industrial areas with the surplus savings of the south and east, has led to the acceptance of the importance of the banking

system in assisting in the provision of working capital.[1] Furthermore, business histories have shown that circulating or working capital was by far the most important element in most businesses during the industrial revolution. Transport improvements and public utilities, such as turnpikes and docks and harbours, together with other improvements in the urban environment, required large quantities of fixed capital but in manufacturing and trading generally, even in the most advanced sectors, the quantity of working capital generally far outweighed the volume of fixed capital. Indeed, the cotton industry was the only sector where fixed capital had become the major component by 1830, accounting for just over half of the total capital of an up-to-date mill.[2]

The banks have generally been accorded a humble position in the provision of long-term lending facilities.[3] The need for liquidity was one factor discouraging long-term lending, but it has been pointed out that some Continental banks at a similar stage of economic development have taken a more active role in the provision of long-term capital without being any more unstable than the English country banks. The investment banks of Germany in the latter half of the nineteenth century, for instance, played a more direct part in industrial development by both raising capital and providing entrepreneurial talent.[4] Factors discouraging

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1. F. Crouzet, 'Capital Formation in the Industrial Revolution in Great Britain', in F. Crouzet, (ed.), Capital Formation in the Industrial Revolution, (1972), pp. 194-5; P. Cottrell, Industrial Finance, 1830-1914, (1980), pp. 13-14; R.E. Cameron, Banking in the Early Stages of Industrialisation, (1967), pp. 52-53; P. Mathias, The First Industrial Nation, (1969), pp. 172-173.

2. S. Pollard, 'Fixed Capital in the Industrial Revolution in Britain' in F. Crouzet, (ed.), op.cit., pp. 145-161.

3. W.H.B. Court, A Concise Economic History of Britain, (1965), pp. 91-92.

4. A. Gerschenkron, Economic Backwardness in Historical Perspective, (1962), pp. 11-16; S.G. Checkland, 'Banking History and Economic Development; Seven Systems', Scottish Journal of Political Economy, vol. XV, 1968, pp. 144-166.

such involvement in Britain include the chaotic state of the law of partnership coupled with unlimited liability and the usury laws, which limited the interest that could be earned on long-term loans in particular since it was more difficult to circumvent the laws by such means as charging commission.[1]

Habakkuk has tentatively suggested that the principal reason for English banks restricting themselves to short-term lending was that there was no great demand for long-term capital. This view has been supported by Pollard. Habakkuk suggested.

> "... that financial institutions adapt themselves to meet the principal economic needs of their period and that English banks concentrated on the provision of working-capital because that was what industry needed; if there had been a large unsatisfied demand from industry to finance fixed capital financial institutions would, with relative ease, have adapted themselves to meet this need, or new institutions would have arisen for the purpose."[2]

The bulk of the long-term capital that was required, it is generally agreed, was provided by the plough-back of profits.[3] The other major sources of long-term funds included family and friends, manufacturers and merchants, and solicitors. The latter would either lend on mortgage in their own right or act as intermediaries between borrower and lender.[4] Indeed, Dr. Anderson claims that such private borrowing was far more important than bank lending.[5]

Nevertheless, there has been a substantial accumulation of evidence

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1. L.S. Pressnell, Country Banking in the Industrial Revolution, (1956), pp. 285-286.

2. H.J. Habakkuk, American and British Technology in the Nineteenth Century, (Cambridge, 1962), p. 175.

3. T.S. Ashton, The Industrial Revolution 1760-1830, (1948), pp. 77-8; Crouzet, op.cit., 188-91.

4. Ibid., pp. 191-192; and in the same volume, B.L. Anderson, 'The Attorney and the Early Capital Market in Lancashire', pp. 223-255.

5. B.L. Anderson, 'Provincial Aspects of the Financial Revolution of the Eighteenth Century', Business History, 1969, p. 20.

of long-term lending by banks at least to modify the view that banks restricted themselves to short-term lending. Such long-term loans could take one of four forms. The first was an investment in risk capital, either through the purchase of ordinary shares, or through a share in a partnership. This was the least common form of long-term lending. More commonly, a bank would grant a fixed interest loan secured by a debenture, mortgage, bond or promissory note. This was to be preferred from the bankers point of view, since it gave him priority over risk capital investors in the event of bankruptcy. The borrower, however, was burdened with fixed interest payments unrelated to the profits of his business. The most common form of long-term lending was probably through agreements to renew short-term loans as long as the borrower required the funds and the banker did not. There is also evidence of 'involuntary' long-term lending where short-term lending was extended through the borrowers' inability to make a prompt repayment.[1]

Many firms in the textile and metal industries are now known to have received direct loans from banks, including Matthew Boulton, the Carron Ironworks, Arkwright, Strutt, Samuel Oldknow and John Wilkinson.[2] There were also a considerable number of industrialists who either set up their own banks or went into partnership with bankers and were thus able to raise banking funds for long-term investment.[3] Among the most well-known firms in this category are the bank of Taylors & Lloyds, and its connection with the iron-founding business of S.N. & C. Lloyd, and the Coalbrookdale Company with its family connections with several banks. Many firms in the brewing industry had either a banker among their partners or among the relations

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1. Cameron, op.cit., pp. 54-56; J.K. Horsefield, 'British Banking Practices 1750-1850: Some Legal Sidelights', Economica, August 1952, p. 319.

2. Mathias, op.cit., pp. 175-176; L.S. Pressnell, Country Banking in the Industrial Revolution, (1956), pp. 322-343.

3. Ibid., pp. 12-36, 292; P. Cottrell, Industrial Finance, 1830-1914, (1980), pp. 14-15.

of the partners.[1] Other industrialists who are known to have borrowed long-term from banks include the Duke of Bridgewater who borrowed £25,000 from his bankers to further his canal projects, and in Kent, two Maidstone paper manufacturers, William Balston who raised £20,000 from the Maidstone Bank, and John Green who borrowed a substantial sum from Beechings' bank of Tunbridge Wells.[2]

Summarising all these fragments of evidence, Mathias concludes that cases of long-term lending "were often fairly isolated instances,coming at a time of great need or very rapid expansion of enterprise and they could be paid off within a few years."[3] Few firms, he writes, depended on bank finance for a high proportion of their invested capital or relied on very long loans except where a partner became a banker, and even then,the banker was more likely to invest his personal funds rather than the resources of the bank.[4] Nevertheless, he finally remarks that

> "As more case histories reveal the number of instances in which this generalisation about the banks not financing industrial investment was broken, the generalisation may itself come under suspicion."[5]

A slightly more ambitious conclusion has been reached by Cameron, who has written that one of the reasons why orthodox banking theory is

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1, R. Cameron, Banking in the Early stages of Industrialization, (1967) pp. 56-58; P. Mathias, The Brewing Industry in England, 1700-1835, (1959), pp. 293-4, 325-30.

2. Mathias, The First Industrial Nation, pp. 175-176; T. Balston, William Balston, Paper Maker, 1759-1849, (1954), pp. 53-54; Hayle Mill Archives.

3. Mathias, The First Industrial Nation, p. 176.

4. Ibid., p. 176.

5. Ibid., p. 177; see also, Crouzet, op.cit., p. 47.

a poor guide to the role of the banks during the industrial revolution is

> "the fact that most bankers either were not acquainted with the theory or chose not to follow its precepts if they were. This was conspicuously the case in long-term lending for industrial purposes. It is obviously impossible to specify what proportion bank loans were made for periods of more than, say, one year, but it is no less certain that the proportion was far from insignificant."[1]

Cobb & Son granted credit to their customers in six ways; by discounting bills of exchange, by permitting their customers to overdraw their accounts, and by advancing on cheques, notes of hand, bonds and mortgages. Figures for the sums advanced in these ways are available in the 'General Cash Statements' which show the overall position of the bank at the end of September in the years 1808, 1811 to 1815 and 1826 to 1840.[2] More detailed information can be obtained from two very large volumes, the first marked 'Bank Ledger', covering the years 1808 to 1818, and the second described as a 'discount ledger', for the years 1818 to 1828.[3] Both books performed the same function and followed the same format, recording month by month, in the order that business was done, all the interest, commission and discount received on all transactions, together with expenses such as the payment of interest on deposit receipts and commission payments to Esdailes. Although these books were primarily concerned with commissions and interest payments, the amount of the principal of a loan or a bill was sometimes given, particularly in the second volume, and also the period for which the interest was paid. From this mass of detail it is possible to abstract a fuller picture of the borrowings of individual customers over a lengthy period.

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1. Cameron, op.cit., p. 54.

2. See p.425 , Some of this credit would be involuntary as the result of unauthorised overdrawing and loans in arrears.

3. LBA, A20 b/6; A20 b/36.

There are four easily accessible lists of borrowers. Two of these were entered in the private ledger in 1809 and 1841 when the partnership was reformed. The earlier list contains the names and amounts borrowed by customers on notes of hand, bonds, mortgages, cheques and on overdrawn accounts. That for 1841 lists borrowers on notes of hand and bonds only.[1] The third list is of 'Bad Accounts, Losses & C.' which accrued between 1813 and 1825 but excluding the latter part of 1825 and the crisis of that year.[2] The fourth list is a register of notes of hand and bonds held by Cobbs between October 1835 and the end of 1840 with references to some loans outstanding from the end of the eighteenth century.[3] This again lists the names of borrowers and the amounts borrowed but with important additional information on the length of each advance. Unfortunately, the occupations of borrowers were never recorded. For this information the lengthy lists of customers have to be compared with the trade directories, the problems of which have already been noted. Only occasionally can further clues be gained from the correspondence since only a minority of customers transacted their business in this way. Nevertheless, the correspondence often gives valuable information as to the circumstances and purpose of an advance.

One major problem with the evidence is that there are very few statements from the Cobbs regarding their policy on advances and discounts. The partnership agreements do not set out any general rules of guidance such as have been found for a number of other country banks. Neither

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1. LBA, A20 b/12, A20 b/13.

2. Ibid., A20 b/12.

3. Ibid., A20 b/31.

are there any partnership minutes. The collection of correspondence, though huge is almost entirely one way, from customers to the bank, with only a brief memorandum of a reply from Cobb & Son occasionally recorded on the bank of an incoming letter. Information on such matters as commission charges and the restriction or rationing of credit is consequently very limited.

The following table, abstracted from the 'General Cash Statements', shows the amounts advanced on the six forms of security used by Cobbs, together with their relative proportions of total assets after an adjustment has been made to exclude those assets belonging to the brewery.

| | Bills | | Overdrawn Accounts | | Cheques | | Notes | | Bonds & Mortgages | |
|---|---|---|---|---|---|---|---|---|---|---|
| | £ | % | £ | % | £ | % | £ | % | £ | % |
| 1808 | 11,866 | 12.3 | 20,724 | 22.5 | 1,125 | 1.2 | 4,907 | 5.3 | 25,009 | 27.1 |
| 1811 | 15,726 | 14.7 | 10,911 | 10.7 | 1,357 | 1.3 | 11,720 | 11.5 | 19,779 | 19.4 |
| 1812 | 15,003 | 14.4 | | | 1,572 | 1.7 | 26,634 | 28.9 | 20,169 | 21.9 |
| 1813 | 17,080 | 17 | | | 944 | 1.1 | 19,958 | 22.6 | 22,615 | 25.6 |
| 1814 | 27,900 | 23.9 | | | 1,125 | 1.0 | 18,249 | 16.2 | 26,830 | 23.8 |
| 1815 | 17,443 | 18.6 | | | 750 | 0.7 | 17,310 | 19.2 | 28,646 | 31.7 |
| 1826 | 23,821 | 24.8 | 14,791 | 16.4 | 190 | 0.2 | 15,536 | 17.2 | 22,274 | 24.6 |
| 1827 | 46,151 | 39.7 | 12,420 | 11.3 | 60 | 0.1 | 12,032 | 10.9 | 22,516 | 20.4 |
| 1828 | 33,449 | 30.3 | 11,504 | 11.0 | | | 14,664 | 14.0 | 25,633 | 24.3 |
| 1829 | 40,566 | 40.0 | 3,738 | 3.9 | | | 11,531 | 12.0 | 21,800 | 22.6 |
| 1830 | 51,147 | 42.5 | 2,400 | 2.1 | | | 12,744 | 11.0 | 20,473 | 21.1 |
| 1831 | 33,509 | 31.1 | 8,726 | 8.4 | | | 9,442 | 9.0 | 24,353 | 23.5 |
| 1832 | 28,537 | 25.9 | 4,516 | 4.1 | | | 11,503 | 11.3 | 17,486 | 17.1 |
| 1833 | 34,947 | 30.5 | 7,896 | 6.9 | | | 10,860 | 9.5 | 19,191 | 16.8 |
| 1834 | 15,875 | 16.1 | 9,922 | 10.1 | | | 11,140 | 11.3 | 18,604 | 18.9 |
| 1835 | 21,168 | 18.8 | 8,498 | 7.6 | | | 20,423 | 18.2 | 22,609 | 20.1 |
| 1836 | 22,342 | 19.1 | 12,196 | 10.4 | | | 18,374 | 15.7 | 26,383 | 22.7 |
| 1837 | 12,657 | 10.5 | 9,392 | 7.8 | | | 19,143 | 15.9 | 25,688 | 21.4 |
| 1838 | 12,226 | 9.3 | 9,087 | 6.9 | | | 19,126 | 14.6 | 24,097 | 18.4 |
| 1839 | 17,763 | 14.1 | 8,683 | 6.9 | | | 15,846 | 12.6 | 24,517 | 19.5 |
| 1840 | 10,615 | 7.2 | 8,889 | 6.0 | | | 12,827 | 8.7 | 23,842 | 16.1 |

Source: LBA, A20 b/12, General Cash Statements.

One surprising feature of these figures is the small amount of bills in the early years of 1808, 1811 and 1812, despite their acknowledged popularity among bankers in general.[1] This may reflect two factors; the shortage of good trade bills in rural areas which either encouraged bankers to invest funds in London or in other forms of security in the country;[2] or a curtailment of the Margate Bank's commitments in years of financial stringency. 1808, 1810 and 1811 were all difficult years for the Margate Bank and since Cobbs already had access to a good supply of bills from Richardson, Overend & Co., it seems most likely that the low figures are the result of the relative ease with which discounts could be reduced compared with other, less liquid, assets. Bills reached their most significant proportions in the late 1820s and early 1830s, declining dramatically from the mid 1830s. This latter decline is explained by the development of the deposit account at Overend & Gurney.[3]

Unfortunately, it is not possible to separate out the bills bought on the London money market from those discounted for Cobbs' customers. 'Country bills' are sometimes listed separately from 'London bills' but the meaning of the terms is not clear. They possibly merely distinguish between bills which were accepted in London and those accepted in the country, and consequently give little clue as to what proportion were bought on

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1. See p. 247 above.

2. BPP, Minutes of Evidence, Select Committee on Resumption 1819, HC, vol. III, p. 245; see pp. 171-2 above.

3. See pp. 191-4 above.

the London money market, since though the bill-brokers did not generally deal in country bills, Cobbs would have discounted London acceptances for customers in the country. Hence, the first column of the following table only gives a minimum indication of the volume of discounts for Cobbs' customers.

Amount of Country Bills, London Bills and Undue Bills at Esdailes, and their per centage of total assets (excluding the brewery).

| | Country Bills | | London Bills | | Undue Bills at Esdailes (probably London Bills) | |
|---|---|---|---|---|---|---|
| | £ | % | £ | % | £ | % |
| 1826 | 6,630 | 6.9 | 16,796 | 17.5 | 394 | 0.4 |
| 1827 | 9,217 | 7.9 | 35,975 | 30.9 | 959 | 0.8 |
| 1828 | 10,548 | 10.1 | 22,038 | 19.9 | 863 | 0.3 |
| 1829 | 10,419 | 10.8 | 28,942 | 28.5 | 1,205 | 0.7 |
| 1830 | 11,815 | 9.8 | 37,645 | 31.3 | 1,688 | 1.4 |
| 1831 | 13,710 | 12.7 | 19,728 | 18.3 | 72 | 0.1 |
| 1832 | 15,918 | 14.4 | 12,436 | 11.3 | 183 | 0.2 |
| 1833 | 11,617 | 10.1 | 23,105 | 20.2 | 225 | 0.2 |
| 1834 | 11,742 | 11.3 | 3,678 | 3.7 | 455 | 1.1 |
| 1835 | 11,518 | 10.2 | 9,505 | 8.6 | 145 | 0.1 |
| 1836 | 6,690 | 5.7 | 15,652 | 13.4 | 39 | 0.0 |
| 1837 | 5,905 | 4.9 | 6,596 | 5.5 | 156 | 0.1 |
| 1838 | 6,886 | 5.2 | 5,064 | 3.9 | 276 | 0.2 |
| 1839 | 7,618 | 6.1 | 9,426 | 7.5 | 719 | 0.5 |
| 1840 | 3,065 | 2.1 | 6,577 | 4.4 | 973 | 0.7 |

Source: LBA, A20 b/12, General Cash Statements, 1826-1840.

A second important distinction to be made is between genuine trade bills and accommodation bills. The latter would be most prominent among the country bills, since the use of an accommodation bill as a security for an advance was common in agricultural districts.[1] There are several

1. G. Rae, The Country Banker, (7th ed., 1930), p. 79.

references to such bills in the Cobb correspondence. When, for instance, William McBride of the Custom House applied for the loan of £30 for 41 days or two months on the security of a note, the reply was that

> "Our rule of business is to advance cash upon bills accepted by a second party & if you can make your present application fall in with this plan we shall readily attend to your request."[1]

Such bills described by George Rae as 'loan bills',[2] differed from 'genuine bills of exchange' in that they did not represent value given by the drawer and received by the acceptor. The bill was accepted merely to raise an advance for the drawer. Cobb & Son would only discount bills, accommodation or otherwise,for people who were "sufficiently known" to them.[3] Alternatively a bill had to be endorsed by someone acceptable to Cobbs.[4] According to Gilbart, London bankers restricted their discounts to persons who had deposit accounts.[5] Cobbs were probably less restrictive, but to be a public celebrity was clearly not a sufficient qualification. One applicant, a Mr. Isaac Nathan, staying at Hawley Square, one of the most fashionable parts of Margate, introduced himself as the "author of the 'History and theory of music', 'Hebrew Melodies', composer of the music to Lord Byron's poetry & c. & c.."[6] He found that Cobbs had no hesitation in rejecting the bills he had drawn on his London music publishers.

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1. KAO, U1453/B3/15/1240, 9 November 1832, 17 September 1833, see also,U1453 /B3/15/986, U1453/B3/15/2 077, 16 March 1824, 22 March 1826, 22 April 1826, U1453/B3/15/1 337, 9 January 1816, 2 February 1816, 29 April 1822.

2. Rae, op.cit., p. 81.

3. KAO, U1453/B3/15/694; U1453/B3/15/940; U1453/B3/15/2136; U1453/B3/12/ 2144.

4. Ibid., U1453/B3/15/940; U1453/B3/15/2012, 17 February 1820.

5. Gilbart, op.cit., vol. I, p. 130.

Many writers and bankers looked on accommodation bills as a most disreputable form of security. This did not apply so much to the sort of bills just outlined as Cobbs were perfectly aware of their character. They were less liquid than good trade bills since they were not usually accepted or endorsed by a reputable London house, an essential requisite for re-discounting in all but the most easy financial conditions. They were generally less likely to be paid on time and customers were more likely to ask for renewals. Indeed, the Cobb correspondence, together with the substantial proportion of overdue country bills regularly entered in the annual accounts, suggest that borrowers on 'loan bills' were generally rather casual. Unlike real trade bills accepted by merchants who knew that their credit and standing depended on the punctual payment of their bills, acceptors of 'loan bills' were less conscious of the necessity of punctual payment.[1]

'Loan bills' were, in many respects, more akin to common promissory notes or overdrafts than good trade bills but they had the advantage of being secured by at least two signatures.[2] In contrast to the more disreputable forms of accommodation bills, the essential character of these bills was not disguised and there was no attempt to mislead Cobbs into believing that they were discounting genuine trade bills. The problem of distinguishing genuine trade bills from accommodation bills, or, as they were also known, fictitious bills, finance bills, or kites, exercised the minds of many bankers of the period. One commonly suggested method of detection was to scrutinise the parties to a bill, and if they were in trades so different that it was unlikely that any value could have passed between

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1. See pp. 168-9 ; see also, Rae, <u>op.cit.</u>, pp. 80-81.

2. H. Thornton, <u>An Enquiry into the Nature and Effect of the Paper Credit of Great Britain</u>, (1802, edited by F.A.v.Hayek, 1939), p. 87.

them, then the presumption was that they were mere accommodation bills.[1] However, the opinion of the leading bill-broker of the day was that there was no certain way of distinguishing an accommodation bill, particularly if the parties to a commercial transaction agreed to draw a bill for a larger amount than was actually required for a sale of goods.[2] Consequently, it is impossible to detect with any accuracy the extent to which a bank such as Cobb & Son discounted fictitious bills.

There is evidence that country bankers would occasionally accept a bill or use their power to have a bill accepted by their London agent to assist a drawer who wanted to raise funds in the London money market. Such an expedient was used by Cobb & Son to assist a customer when they themselves were short of funds, but it seems to have only been used sparingly. A request from James Friend, for instance, for an acceptance of Esdailes for two months to enable him to repay a note of £2,800 which was due to Cobbs, was refused in 1812, despite the obligation Cobbs must have felt from the previous financial assistance they had received of the Friend family during times of financial crisis.[3] In the case of the Blackburns, where family considerations were of some importance, finance bills were used to a considerable extent.[4] Cobbs themselves also used the acceptances of their friends and connections to raise funds in London in times of crisis.[5]

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1. Rae, op.cit., pp. 81-82.

2. BPP, Minutes of Evidence, Select Committee on the High Price of Gold Bullion, 1810, vol. III, p. 125; see also A. Smith, The Wealth of Nations, (1910 ed.), vol. I, pp. 277-278.

3. KAO, U1453/B3/15/711, 4 July 1812, 10 July 1812, 22 July 1812; U1453/B3/15/2, 30 January 1794, 17 April 1794; LBA, A20 b/12, General Cash Statement of 1814.

4. KAO, U1453/B3/15/151 & see pp. 405-14.

5. LBA, A20 b/12, General Cash Statement of 1811; see pp. 101-2, 409-10.

The case in favour of real commercial bills and against accommodation bills was, in most cases, exaggerated. It was a commonly supposed virtue of real bills that they represented actual property whereas accommodation bills did not, and that the acceptor of a real bill would be supplied with the means to pay it at maturity whereas this was not necessarily the case with an accommodation bill. Some even went as far as to claim that accommodation bills were a "species of false wealth by which a nation is deceived."[1] However, the link between real bills and actual property was not as simple as was often maintained and the differences between real and accommodation bills were not so great as was often suggested. The banker who discounted a real bill had no specific legal claim against the proceeds of the goods that gave rise to the bill, but relied, as he would if he was discounting an accommodation bill, on the general ability of the acceptor to pay. It was by no means automatic that the acceptor of a real bill would have sufficient funds to pay when the bill reached maturity, for fluctuations in prices could mean that goods could only be realised, if at all, at a lower price than the value of the bill. Furthermore, the link between real bills and actual property was shown by Thornton to be erroneous in that a series of sales of a particular item could give rise to several bills existing at the same time with a value far exceeding that of the goods which gave rise to the bills.[2]

Nevertheless, for the practical banker, the distinction between real and accommodation bills was a useful one to make. Real bills were more likely to be punctually paid, partly because the acceptor was more likely to have the funds from the resale of the goods that gave rise to the bill, but there were also several other reasons. Businessmen who used accommo-

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1. Thornton, op.cit., p. 86.

2. Ibid., p. 86.

dation bills were generally thought to be more likely to be involved in specualtive activities and to depend,to an unhealthy extent, on credit. A trader who discounted real bills only was less likely to over-extend his credit. This point was explained by Henry Thornton;

> "The extent of a man's actual sales form some limit to the amount of his real notes; and, as it is highly desirable in commerce that credit should be dealt out to all persons in some sort of regular and due proportion, the measure of a man's actual sales, certified by the appearance of his bills drawn in virtue of those sales, is some rule in the case, though a very imperfect one in many respects.... So much jealously subsists lest traders should push their means of raising too far, that [accommodation] paper, the same in its general nature with that which is given, being the only paper which can be given, by men out of business, is deemed somewhat discreditable when coming from a merchant."[1]

The Margate Bank did not invariably refuse to discount accommodation bills that were presented to them as ordinary trade bills. Indeed, at certain periods, notably 1787,[2] such paper became quite prominent. A certain amount of accommodation paper seems to have been generally tolerated although excessive amounts were viewed as dangerous. One case where such bills were discovered but tolerated is exemplified by one reply to a customer in 1839.

> "The Bills you mention... are no doubt [a] matter of accommodation between the parties as no legitimate business that I am aware of exists between them. Too much of this sort of paper would (or if done too easily) be hurtful to the parties themselves."[3]

The most common form of note of hand was a promissory note which, like a bill of exchange, was discounted and could be negotiated.[4]

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1. Thornton, op.cit., p. 87.

2. See pp. 330-8.

3. KAO, U1453/B3/15/1578, 28 March 1839.

4. The negotiability of promissory notes was established in 1705. J.W. Gilbart, The History, Principles and Practice of Banking, (1882 ed.), vol. I, p. 103.

The principal difference in form was that whereas a bill was an order to a debtor to pay his debt at a specified time, a promissory note was simply a promise made by a debtor to pay off the debt at a future specified time.[1] As far as the legal recovery of a debt was concerned, these formal differences were of little importance, although Thornton claimed it was easier to recover a debt on a promissory note than a bill.[2] Although they were technically negotiable intruments, it was rarely possible for a country banker to have notes rediscounted and they were consequently regarded as more akin to overdrafts than bills of exchange.[3]

Other notes of hand referred to in the correspondence simply acknowledged the amount of the debt which it was promised would be repaid on demand. One example of this sort of note was that signed by four members of the Pett family for the sum of £150, the sum outstanding from a previous loan, in January 1825.[4] A note of 1823, signed by the same parties, included

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1. E.g. KAO, U1453/B3/15/807, 10 July 1824; U1453/B3/15/2094, 5 February 1807. The notes referred to in this correspondence must have been similar to the example quoted by Gilbart

> £1,000 London, 1st May, 1827.
>
> Two months after date we promise to pay Messrs. Hearty, Jolly, & Co., or their order, the sum of One Thousand Pounds, for value received.
>
> John Careful & Co.
>
> At Messrs. Steady & Co.<br>Bankers,<br>Lombard Street

2. Thornton, op.cit., pp. 83-84.

3. Rae, op.cit., p. 83.

4. KAO, U1453/B3/15/1483, 11 January 1825. See p. 312.

an additional clause specifying the furthest date at which the debt would be repaid.

> "The note of hand on demand which you take from us this day in renewal of our Note of £300 lately fallen due we engage shall be at furthest paid off as follows - viz - the half of it at this time twelvemonth & the remaining half at the Christmas following.
>
> Your obed[t] serv[ts]
> Mich[l] Pett junr
> W[m] Pett
> Mich[l] Pett
> John Pett."[1]

This would appear to be a simple and flexible way of securing an advance, but as with other promissory notes and loan bills, it was common for borrowers to have difficulty in returning the loan when payment was demanded. One of the more surprising aspects of the Cobb records is the use of cheques to secure loans in a manner similar to loan bills and notes of hand. Advances on cheques never accounted for any more than a small proportion of total advances and the practice disappeared after 1827, although a customer applied for such an advance as late as 1835.[2] The Bank ledgers and the correspondence refer to cheques being discounted, and so they were presumably post-dated. The period of such advances was usually short, no more than a month or two, as was the case with Robert Rybot of Margate in 1818. Rybot had overdrawn his account by more than £120 and he offered a cheque to rectify the position.

> "I shall be obliged by your discounting my cheque for £200 for a m[o][month] & if needful let it be renewed for another M[o]."[3]

Bonds and mortgages always formed a significant proportion of the assets of the Margate Bank, from a low point of 16.1 per cent. in 1840 to their maximum for the period in 1815 of 31.7 per cent.[4] For the years

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1. KAO, U1453/B3/15/1483, 16 July 1823.

2. Ibid., U1453/B3/15/2085, 17 November 1835.

3. Ibid., U1453/B3/15/1666, 30 November 1818.

4. See p. 247.

1808, and 1811 to 1813 separate figures are available for personal bonds and mortgage bonds. The fact that Cobbs abandoned their separate heading

| | Personal Bonds | Mortgage Bonds |
|---|---|---|
| 1808 | £7,739 | £17,270 |
| 1811 | £12,839 | 6,940 |
| 1812 | £13,229 | 6,940 |
| 1813 | £15,725 | 6,890 |

Source: LBA, A20 b/12, General Cash Statements

for mortgages after 1813 perhaps suggests that they had generally abandoned any new lending in this way, as does the decline in the figures between 1808 and 1813. Certainly, by the 1820s, mortgages were contrary to their 'rules of business'.[1] In this respect they were clearly moving towards the banking orthodoxy of the late nineteenth century. Such orthodoxy had been followed by Esdailes in the eighteenth century. In 1793, they advised Cobbs and their other customers "never to lock up money on Bond Mortgages or otherwise."[2]

Gilbart only mentioned mortgages briefly, and then primarily with reference to the Bank of England. He noted that they would be impossible to liquidate in a crisis, although he suggested that a bank with a large capital might be able to invest a limited portion in such 'dead securities' as mortgages.[3] Macleod, on surveying English banking as a whole, found that banks in rural areas and banks with landowning depositors, such as the banks of the West End of London, were in a better position to grant long term loans on securities such as mortgages than banks in

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1. KAO, U1453/B3/15/807, 5 Decembeer 1821. See pp. 273, 304-5.
2. Parker Collection, U1453/B3/14/7, 8 March 1793.
3. Gilbart, op.cit., vol. I, p. 374.

commercial districts. Where the customers of a bank were chiefly country gentlemen, he argued, whose rents were paid in at regular intervals and who only drew for family expenditure, it was much easier to predict the future demand for funds than in trading and commercial districts where increases in the demand for cash were more frequent and sudden.[1] Bankers in agricultural districts and the West End of London could consequently offer their customers longer term loans, including mortgages, than could their counterparts in the great commercial and manufacturing centres. Mortgages were indeed a prominent security in the assets of the West End banks of the eighteenth century and they have been found in the records of some country banks.[2]

The customers of such banks would have had few bills to offer for discount and the shortage of other alternative short-term assets helps to explain why these banks were prepared to enter the mortgage market. Such pressures would have been reduced as the range of available assets increased with the development of the London money market. At the same time as Cobbs were reducing their mortgage investments they were increasing their holdings of bills from the London discount market. Nevertheless, the Margate Bank continued to make long term loans secured by personal bonds which suggests that there were other factors besides the length of the loan which discouraged lending on mortgages.

Two of these factors could be the size of mortgages and the legal difficulties arising from the complications of English land law of the period. Mortgages, particularly legal mortgages, were usually for rela-

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1. H.D. Macleod, The Theory and Practice of Banking, (1855), pp. 399-400.

2. D.M. Joslin, 'London Private Bankers, 1720-1785', Economic History Review, 2nd Series, December 1954, pp. 175-179; Pressnell, op.cit., pp. 302, 304-309.

tively large amounts. In the Cobb records, the average size of the mortgages outstanding in February 1808 was nearly £2,000, whereas for personal bonds the average was just under £300.[1] The documentation for a legal mortgage was extensive and expensive. Ordinary conveyances were complicated enough but a legal mortgage was even more so. In its classical form it required a conveyance from the mortgagor to the mortgagee, with a covenant to reconvey when the debt was repaid. On the debt being paid another conveyance was required, from the mortgagee to the mortgagor. Alternatively, legal mortgages could be created by the use of leases.[2] In either case, the expense of creating a legal mortgage was too great a burden for it to be used as a security for small or short-term debts. It was claimed that the legal fees for a £150 mortgage in the 1840s could be as much as £25.[3] Small banks such as the Margate Bank would generally prefer to lend small sums to many different borrowers for short periods to diversify their risks rather than become over-committed to a few borrowers for large amounts as would be the case if they made extensive use of legal mortgages.

A cheaper form of mortgage was the equitable mortgage by the deposit of deeds. After 1783, the mere deposit of deeds, even without writing, was sufficient to create an equitable mortgage, as long as the deposit was made for the purpose of giving a security.[4] But the equitable mortgage left the banker the prey of legal uncertainties. Some of these applied to legal mortgages as well, but the informality of the equitable mortgage meant that it was particularly vulnerable. There were many serious

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1. LBA, A20 b12, pp. 13-14, 17.

2. A.W.B. Simpson, An Introduction to the History of English Land Law, (1961), pp. 225-226; W. Blackstone, Commentaries on the Laws of England, (1766), pp. 157-158; R.W. Jones, Bankers and the Property Statutes of 1925 and 1926, (1929), pp. 26-28.

3. Rae, op.cit., p. 100; Bullion's Letters, p. 69.

4. R. Megarry & H.W.R. Wade, The Law of Real Property, (4th ed., 1975), p. 901.

problems, for instance, in determining whether or not a borrower had a perfect title to the land to be mortgaged. If one of the deeds showing the descent of title was lost or missing it could be difficult to exercise the power of sale,[1] although by the 1850s the judges had decided that only deeds that were material evidence of title were essential.[2] It was also possible that land offered as a security might be subject to settlements and other charges of which there might be no notice on the title deeds.[3] The doctrine of tacking was another hazard to be avoided by the investor in mortgages, particularly the form known as "tabula in naufragio", or, "the plank in the shipwreck". A mortgagee could make use of this doctrine when there was a legal mortgage and two subsequent equitable mortgages, all made to different mortgagees. If the third mortgagee had no notice of the second mortgage at the time the third mortgage was created, he could gain priority over the second mortgage by purchasing the legal mortgage. If the property was insufficient to satisfy all the mortgagees, the burden of the deficiency fell on the second mortgagee.[4]

Furthermore, the problems of realising landed security were exacerbated for the equitable mortgagee because he did not possess the right of sale since he did not have the legal estate. To sell he would have to gain either the consent of the mortgagor, or file a bill against him in the Court of Chancery, or make him a bankrupt.[5] George Rae summarised

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1. Rae, op.cit., p. 97.
2. Megarry & Wade, op.cit., p. 901.
3. Rae, op.cit., pp. 96-97.
4. Ibid., p. 116; Megarry & Wade, op.cit., pp. 978-981.
5. Rae, op.cit., p. 98.

the views common to many bankers by the mid nineteenth century;

> "The laws which regulate the devolution, sale, and transfer of real property in England, frequently involve processes so tedious and complicated, and so fertile of cost and risk, that real estate is rather shunned than sought after as a cover for debt by many English Banks. For the bulk of their advances they give preference to securities, the transfer of which is easy and inexpensive, which, for the most part, can be turned into money on any 'account day' throughout the year."[1]

Personal bonds were a much simpler form of security. Four specimens have survived in the Cobb records, and those that have are where the Cobbs were the debtors.[2] That few have survived is not surprising for it was customary for a bond to be returned to the borrower on redemption. In its simplest form, a bond was a deed whereby the borrower undertook to pay a certain sum on a specified day, but it was more common to add a condition. In the case of bonds with conditions it was usual to make the amount specified in the bond a penal sum of twice the principal of the debt, and the condition would state that the bond would become void if the principal sum plus the interest were paid by a specified day. At Common Law it had originally been possible to claim the full penal sum if the conditional clause was broken, but with the intervention of the Courts of Equity and regulation by statute at the beginning of the eighteenth century this was restricted to the recovery of the principal, interest and costs.[3]

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1. Rae, op.cit., p. 99.

2. KAO, U1453/T2, Bundle, B, Bonds of Cobb & Son to J. Chippendale, dated, 26 July 1810 and 18 May 1811.

3. W. Blackstone, op.cit., vol. II, pp. 340-341, Appendix No. III, p. XIII.

Although they were simpler than mortgages, bonds were still formal deeds bearing a heavy stamp duty which made them more expensive for the borrower than promissory notes or bills.[1] Consequently, they were generally used for longer term loans. From the register of bonds it is possible to work out the length of each loan. According to this register, the value of bonds and mortgages outstanding on 30 Septemebr 1836 was £32,071. this is rather more than the figure quoted in the general cash statement for that year which was £26,383. This difference is not easily accounted for, but it might be that some of the bonds had been taken out of the annual accounts as bad debts. The outstanding feature of the bonded debt is that it was mostly for very long periods. In terms of value, just under 72 per cent. of the money advanced on bonds was advanced for a period greater than ten years, just over 25 per cent. for more than five years but less than ten years, and just over 3 per cent. for more than two years but less than five. Prominent among the long term borrowers were the bonds of various public utilities: the pier and harbour, various turnpikes, the improvement commissioners and St. John's Parish. The Bank held the bonds of these various institutions for between twenty-two and nearly forty years.[2] Some of the private customers borrowed for even longer periods. The longest was £100 for more than fifty-three years, borrowed by John Fagg, who appears in the 1823 directory as a grocer. Robert Ansell, a cowkeeper, borrowed £200 for just over forty-five years, and the third longest loan was for £100 for just over forty-

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1. J.A.S.L. Leighton-Boyce, Smiths the Bankers, 1658-1958, (1958), p. 206.

2. LBA, A20 b/31.

two years, borrowed by Josiah Adams on the security of a mortgage bond. This latter advance was originally for £250 in 1821, but £150 had been paid off after five years.

Advances on the security of bonds were on average much longer than on notes of hand. Even so, advances on notes were often surprisingly long. The total figure for notes of hand given in the General Cash Statements for 1836 is £18,374 compared with the figure derived from the register of £19,487, a smaller discrepancy than with the figures for bonds. Of the latter figure, just over 6 per cent. was advanced for between six months and one year, nearly 4 per cent. for between one and two years, over 55 per cent. between two and five years, just over 9 per cent. between five and ten years and nearly 26 per cent. for more than ten years. The four longest loans were to Stephen Hooper & Sons, miller, £100 for 29 years and 2 months, two notes of John Ansell, farmer, £100 for 24 years and nine months, and £100 to Stephen Sackett Chancellor, baker and clerk to the pier, and George Staner, baker, £50 of which was paid off after 1 year and 3 months, but the remaining £50 was only paid off after 24 years and three months.[1]

From the point of view of the borrower, the overdrawn account or overdraft represented the most informal and flexible method of borrowing. In contrast with advances on bonds, notes or bills where a borrower had to pay for a fixed sum for a fixed period, a borrower on overdraft could draw for cash and repay it when he no longer required it subject to the limitations set by his banker, thus only paying for the amount of money that was required for the period it was required. For the years that are available, overdrawn accounts represented an average of 9 per cent. of total assets

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1. LBA, A20 b/31, note nos., 2, 4, 20, 192.

ranging from a high point of 22.5 per cent. in 1808 to a low point of 2.1 per cent. in 1830.[1] The absence of figures for the years 1812 to 1815 is contrary to the evidence of the bank ledger which shows that twenty-four customers paid interest in March 1813 up to the end of December 1812, and that in March 1814, the number of such customers had increased to twenty-eight. The most likely explanation of this apparent contradiction is that Cobb & Son were demanding that overdrawn accounts be covered by notes or bonds in these years.[2]

Apart from the mortgages mentioned above, the bulk of the advances of the Margate Bank were on personal security, whether by means of overdraft, note or bond. Textbook writers may have suggested that bankers should not grant any advances without adequate collateral security,[3] but, the evidence of the Parliamentary papers suggests that lending on personal security alone was common, while the scant evidence of the use of collateral security in the Cobb records suggests that this was true of the Margate Bank as well. Although Vincent Stuckey, for instance, sometimes required an equitable mortgage by deposit of title deeds before he would advance any money to a farmer, he generally only asked for a promissory note, backed by a guarantor where that was possible.[4] Similarly, William Beckett, a banker in Leeds, said that most of his lending was done on personal security and where collateral security was required it was usually of a personal nature, although he also sometimes asked for a deposit of title deeds.[5] The evidence of the secretary to

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1. See p.247 above.

2. LBA, A20 b/6.

3. Rae, op.cit., pp. 39-42.

4. BPP, Minutes of Evidence, Secret Committee on the Bank of England Charter, 1831-32, vol. VI, QQ. 973-978.

5. Ibid., QQ. 1324-1332.

the committee of country bankers, Henry Burgess, given to the Committee on Agricultural Distress of 1836, however, suggests that bankers were less willing to advance money on personal security to farmers after the Napoleonic Wars and the resumption of cash payments. One reason for this was that banks had to place a greater emphasis on the need for liquidity and thus required easily convertible securities.[1] Nevertheless, a few years earlier he had maintained that it was one of the virtues of the private country bankers that they knew their customers so well that they were able to give seasonal loans to manufacturers and farmers on personal security alone.[2] One banker who certainly did require security was John Wilkins, who had offices at Brecon and Merthyr Tydvil, but it was also common in his area for other bankers to lend without collateral security.[3] In 1833, William Blamire, MP for East Cumberland, stated that it was common practice for bankers to lend to farmers on personal security alone. On being asked whether he had noticed any change in the disposition of country bankers to lend on personal security alone, he replied,

> "I am not aware that any great alteration has taken place. The country banker does not estimate the instrument that the man carries in his hand so highly as he does the character and the prospect of the well-doing of the party, and the situation of his friends, who are perhaps supposed to be a guarantee."[4]

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1. BPP, Minutes of Evidence, Select Committee on Agricultural Distress (3rd Rep.), 1836, vol. VIII, QQ. 15950-1,16078-80.

2. BPP, Minutes of Evidence,Secret Committee on the Bank of England Charter, 1831-2, vol. VI, QQ.5199-5215.

3. Ibid., QQ. 1673-1675.

4. Ibid., Minutes of Evidence, Select Committee on Agriculture, 1833, vol. V, QQ. 6895-6898.

The evidence for Cobbs requiring non-personal collateral security is thin. A few customers offered collateral security when they applied for loans, but it is not known whether they were accepted. One applicant, for instance, offered £470 of 3 per cent. Consols as security for a loan of £100.[1] In 1822, one customer offered Sainfoin or farming stock as a security for a loan of £80. The reply was quite categorical;

> "it is quite out of their method of business to grant the accommodation ask'd for and that they are in no want whatever of Sainfoin having a fully supply of that article."[2]

Collateral was occasionally taken in the form of life policies. The Customs Officer, William McBride, borrowed £200 from Cobbs for four years on the security of four joint notes with a Life Policy for £200 pledged with Cobb & Son as collateral.[3] The two other examples that have been discovered of this use of life policies were used to secure bad debts. In the case of Jacob Sawkins, the Margate attorney, Cobb & Son became mortgagees of his life policy shortly before his bankruptcy in 1815.[4] The second instance is of three policies totalling £7,400 on the life of Edward Pilcher to cover a bad debt of over £9,000.[5]

Life policies were far from being ideal securities. The full amount was not payable until the death of the assured while the value of a life policy before death was only a fraction of the premiums paid upon it. In the intervening time Cobbs had to support the burden of paying the annual premiums. If Cobbs failed to pay a premium the rules of the Equitable Insurance Office said that the policy should become void.[6] With the

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1. KAO, U1453/B3/15/362, 31 March 1815.
2. Ibid., U1453/B3/15/1740, 7 November 1822.
3. Ibid., U1453/B3/15/1240, 7 July 1834, 21 July 1834.
4. Ibid., U1453/B3/15/676, (particularly 12 July 1819); U1453/B3/15/1498.
5. Ibid., U1453/B3/15/1505, 4 February 1826. See p. 341 ; U1453/B3/15/625.
6. Ibid., U1453/B3/15/625.

Amicable Society a small fine was imposed if the premium was not paid within a month, but after three months the policy became void.[1] It was with this latter office that Cobbs had a policy for £2,400 on the life of Jacob Sawkins. In July 1815, Cobb & Son could have sold this policy for no more than between £250 and £260.[2] Similarly, Cobbs had to point out to Edward Pilcher that "to redeem [the policies] at their current value would leave us sadly minus."[3]

The most common form of collateral security taken by Cobbs was of a personal nature. From the surviving evidence, however, it appears that the proportion of bonds and notes signed by more than one person was less than half. For notes of hand, the number of joint signatures in 1808, 1836 and 1841, were 11 out of 48, 21 out of 43 and 22 out of 50 respectively. For bonds and mortgages the figures were 14 out of 38, 23 out of 52 and 22 out of 50.[4]

The bulk of the advances of the Margate Bank were made on securities of a personal nature, and in the majority of cases, without the added security of a guarantor. This practice undoubtedly involved risks and was frowned on by such writers as George Rae who maintained that it was the weakest point of country banking.[5] In their defence, it could at least be claimed that most country bankers were in a good position to know the standing of their borrowers. They lived in the same communities,

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1. KAO, U1453/B3/15/676, 20 July 1815.

2. Ibid., 6 July 1815.

3. Ibid., U1453/B3/15/1505, 4 February 1826. See also Rae, op.cit., pp. 111-112.

4. LBA, A20 b/31, A20 b/13, A20 b/2.

5. Rae, op.cit., pp. 33-43.

which in places like Margate were small enough for the banker to know each of his customers on personal terms. This sort of close and detailed knowledge was one of the great virtues of the private country banks, according to the system's defenders, such as Henry Burgess. It enabled them to make safe advances on imperfect or personal security which would have been dangerous if undertaken by a larger and more bureaucratic joint stock bank.

> "The lending of money to the productive classes, [Burgess explained] is a matter of great nicety; it requires an extremely nice discrination as to the character and circumstances of the party borrowing. I think it is a sort of discimination which the managers of a public Bank, who have not an individual interest in the management, rarely exercise; and consequently I think they are liable to greater losses because they have not the same vigilance and experience."[1]

As far as it is possible to be certain, the rate of interest charged by the Margate Bank on advances and discounts in the country was invariably 5 per cent. Variations in interest rates on the London money market had no immediately apparent effect on the rates charged by Cobb & Son even though there is evidence to suggest that private provincial lending varied roughly with long-term trends in London rates.[2] In addition to 5 per cent. interest, commission was charged on some transactions such as the discounting of promissory notes and acceptances. Such charges could have been used to vary the cost of loans when market rates rose above the legal rate. No evidence has been traced, however, to indicate that such charges were ever imposed on customers who borrowed on the security of bonds. The evidence on commission charges is scattered. Indeed, they were not usually recorded separately and can only be discovered

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1. BPP, Minutes of Evidence, Secret Committee on the Bank of England Charter, 1831-2, vol. VI, Q. 5253. See also his statement in, KAO U1453/B3/15/436, 8 June 1833.

2. Pressnell, op.cit., p. 315.

when the period which an interest charge is supposed to cover is stated. From what little information there is it is difficult to ascertain how Cobbs' scale of charges worked. In June 1814, for instance, 5 per cent. without any commission was charged on a bond for £3,000. This also happened with a note which was allowed to 'lay over'. In that same month 1s.6d. was charged on a note for £200 at two months' date and on a second similar note for £200 but at twelve months' date. In September 1814, 4s. was charged on a note for £300 at three months' date, but a few months later, a charge of only 2s.6d. was made on a note of £300 at four months' date.[1]

There is some evidence of the Usury Laws having been circumvented in less legally acceptable ways in periods of dear money. One witness before the select committee on the Usury Laws in 1818, claimed that some borrowers had paid as much as 10 per cent. during the Napoleonic Wars by giving a promissory note for twice the sum actually borrowed.[2] Such claims are, not surprisingly, difficult to document. Certainly, nothing has been found in the Cobb records to give any indication of this sort of activity.

Advances were more commonly regulated by varying the tenor of bills a bank would discount and by rationing. This was the method used by the Bank of England before the Usury Laws were relaxed in 1833 to exclude bills with three months or less to run.[3] The evidence in the Cobb records is limited, but there are two short statements of policy made in the difficult early months of 1826. One was in reply to an application for a loan of £50 to £60 for three to five months on a promissory note.

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1. LBA, A20 b/6.

2. BPP, Minutes of Evidence, Select Committee on the Usury Laws, 1818, vol. VI, Q. 403.

3. Pressnell, op.cit., pp. 318-320.

"Messrs C & S hasten to acquaint Mr P that the great alteration in the times, requires them to limit their accommodation to matters of actual business [trade bills?] & for short periods & as his request does not come within that arrangement they must necessarily decline meeting his wishes."[1]

The second statement was in reply to an applicant from Tonbridge who sent two bills worth £60. Although the bills were discounted, Cobbs said that they had restricted such business to their "immediate connexions", and that any future application would be refused.[2]

With the use of trade directories and information gleaned from elsewhere in the Cobb records, it has been possible to identify the occupations of the majority of the Margate Bank's customers. There still remains a significant minority of borrowers for whom no occupation can be found. Of the total sum of £52,806 borrowed in 1808 on overdrawn accounts, bonds, mortgages, cheques and notes, it has been possible to discover the occupation of the borrowers for all but some 10 per cent. For 1836 and 1841, lists of borrowers on notes, bonds and mortgages alone are available. For 1836 it has been impossible to identify the borrowers of £3,775 out of a total of £50,811, or some 7 per cent. of the total and for 1841, £3,387 out of a total of £33,131, or some 10 per cent.

Of those that can be identified, two sectors stand out as being consistently important; these are the brewery trade, and the transport industries. These are both dealt with separately. The borrowers in the brewery trade in 1836 and 1841 were all licensed victuallers, and nearly all of them occupied public houses that were tied to the Margate Brewery or supplied with Cobb & Son's beer. In 1808 they were joined by several overdrawn accounts concerned with the brewery itself; the account for the building of the new brewery, the account for the purchase

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1. KAO, U1453/B3/15/1487, 11 February 1826.

2. Ibid., U1453/B3/15/2163, 3 June 1826.

of the Deal brewery, the brewery architect's account, and Francis Cobb's own account. In 1808, this sector accounted for 19.3 per cent. of borrowings, in 1836 to 15.5 per cent., and 16.1 per cent in 1841. Transport, including capital projects such as roads and pavements, the pier and harbour, together with the operators of coaches, sailing and steam packets, mariners, pilots and sailmakers, accounted for £6,777 or 12.8 per cent. of notes and bonds in 1808, £7,672 or 15.1 per cent. in 1836 and £6,766, which is 20.4 per cent. in 1841.

Another sector to be dealt with below is agriculture and its related trades. This includes farmers, millers, corn factors and one malster. Borrowing by this sector was less consistent than by the previous two, being quite small in 1808, £1,652 or 3 per cent., and in 1841, £1,225 or 3.7 per cent. In the depression year of 1836, borrowing was at the much more significant level of £12,143, or 23.9 per cent. This is a particularly interesting figure in view of the complaints of many farmers in that year that it was much more difficult to raise loans from the country banks, than it had been during the Napoleonic Wars. Farmers' borrowings in this year amounted to £1,743, compared with £1,301 in 1808 and £725 in 1841. The most significant borrowers in this category in 1836 were the corn factors with £9,900. The corn factors were particularly significant in that they were the suppliers of seasonal credit to farmers and thus held a strategic place in the industry.[1] The factors do not appear among the borrowers of 1808 and 1841, but this may be because they relied on the discount of bills of exchange to a greater extent than other customers of the Margate Bank. A list of the bills held by the Bank does exist for 1808, but they are listed under the names of the

1. See pp. 323-4 below.

acceptors rather than the customers for whom they were discounted.[1]

Attorneys were particularly significant borrowers in the list for 1808, taking just over 25 per cent. of the borrowed funds, the largest proportion taken by any single group. Thereafter, they were much less significant. There were two attorneys borrowing funds from the Margate Bank in 1808 plus an executor's account for a deceased attorney, Nathaniel Austen which was overdrawn by nearly £630. Of the other two, Jacob Sawkins and John Boys, the former was the most significant, with a mortgage for £12,000 and an overdrawn account for £56, which accounted for most of the £13,241 borrowed by attorneys in that year.

Many attorneys played an important part in the provincial capital markets of the eighteenth and early nineteenth centuries, particularly in the field of mortgages. The interest of such attorneys in financial matters was a development of their close involvement with dealings in real estate, including the drafting of mortgage deeds. Even though laymen were not excluded from practising conveyancing until 1804, the business was monopolised by the profession during the course of the eighteenth century.[2] Consequently, attorneys were well placed to tap the demand for mortgages, while their involvement in the creation and administration of trusts necessarily gave them an acquaintance with their clients' financial affairs who also often required advice on loans and investment. It was natural for some attorneys to act as agents between potential lenders and borrowers, but some went further, and took in deposits which they undertook to invest for their clients. Indeed, the practice of attorneys acting as financial intermediaries pre-dated the growth of country banking

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1. LBA, A20 b/12, pp. 29-30.

2. B.L. Anderson, 'The Attorney and the Early Capital Market in Lancashire', in F. Crouzet, (ed.), Capital Formation in the Industrial Revolution, (1972), p. 227.

in the late eighteenth century. One judgement in a law case of 1812 suggests that it was common for money to be deposited with an attorney, or a money scrivener as this particular species of lawyer was more specifically known in the earlier part of the eighteenth century, who was "trusted as a banker."[1] Some went even further to become fully-fledged bankers, the legal profession being one of the most important sources of country bankers.[2]

There is some evidence of Margate solicitors having acted as intermediaries in the mortgage market. One customer who applied to Cobbs for a mortgage in 1832 was referred to "any legal friend of his acq$^{ce}$".[3] Another customer of 1821 mentioned the terms of a mortgage offered by Mr. Dering, a well known Margate solicitor. This was for £250 at a rate of interest of 5 per cent. with a condition that it should not be redeemed for five years.[4] At an earlier date, several Margate solicitors were concerned in the running of a country bank, the Isle of Thanet Bank. The earliest references to this bank are under the style of Sawkins, Grubb, Brooman & King in 1793, although within a few years King had been dropped. Of these, Grubb was a proprietor of the Theatre Royal, Brooman a linen draper and Jacob Sawkins a solicitor.[5] It has already been shown how heavily Sawkins was borrowing from Cobb & Son in 1808 but unfortunately the records do not give any indication of the reasons for this loan to

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1. Adams v Malkin, (1812), 133 ER 1050; quoted in, Pressnell, op.cit., p. 41.

2. Pressnell, op.cit., pp. 36-44. Several examples of early eighteenth century scriveners are quoted in Anderson, op.cit., pp. 228-249.

3. KAO, U1453/B3/15/1471, 19 September 1832.

4. Ibid., U1453/B3/15/807, 5 December 1821. There is also evidence of attorneys acting as guarantors and accepting accommodation bills.

5. PRO, B1/No. 87/fol. 274; Universal British Directory, 1796, p. 900; The Margate Guide, A Descriptive Poem, with Elucidatory Notes, (Margate, 1797), pp. 83-4; The Margate and Ramsgate Guide in Letters to a Friend, (1797), p. 39.

an apparently close rival. One possible explanation is that it was part of a rescue attempt for a bank that was in difficulties, the collapse of which could have resulted in a panic and a run on Cobbs. Slight confirmation of this speculation is suggested by the re-formation of the partnership in 1808 as Garrett, Boys, Garrett, Sackett & Burgess.[1] Sawkins evidently acquired a respectable fortune since he managed to purchase Nash Court, one of the best residences on the Island, but by 1815 he had become a bankrupt,[2] and in 1820, just over £1,080 was written off his account as a bad debt.[3] The Isle of Thanet bank disappeared about the same time. Similarly, at the end of the period, another Margate solicitor was receiving substantial support. All of the £1,350 advanced to attorneys in 1841 was on loan to one Margate solicitor, James Edward Wright. £300 of this was outstanding from May 1833 and it all remained oustanding at least until 1848.[4]

Country banks are not thought to have given much support for the construction industry. Professor Pressnell found a little evidence of banks being associated with Tontine schemes, but found only two clear cases where builders borrowed from banks. In one of these cases the builder became bankrupt shortly afterwards while in the second case the bank was thoroughly unsound. He concluded from the lack of evidence and the omission of any reference to banks from the witnesses before the Select Committee on Manufactures in 1833, when they described how

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1. The New Margate, Ramsgate and Broadstairs Guide,(5th ed., Margate, 1809), p. 68. The Boys referred to was possibly John Boys, another Margate solicitor. A member of the Garrett family was also a solicitor.

2. Whyman, op.cit., p. 244; KAO, U1453/B3/15/1990, 13 July 1815; U1453/B3/22/1.

3. LBA, A20 b/12.

4. Ibid., A20 b/13.

housebuilding was financed, that bankers were generally unwilling to finance building.[1]

> "The reluctance of bankers to lend money to builders would be understandable: building is notoriously dependent upon low rates of interest, and demands the locking up of capital, for a period that passes the normal conception of 'short-term'."[2]

More recently, Ward has shown how some banks in the south west with surplus funds and few investment opportunities, fuelled building speculation in Bristol between 1783 and 1793.[3] Cobb & Son were not averse to having some long term loans, and the building industry, including builders, bricklayers, stonemasons, painters and glaziers and timber merchants, did receive some assistance from the Margate Bank. In 1836, when Cobbs had advanced £3,290 on promissory notes, bonds and mortgages to the building trades, £1,500 was lent to Edward White, a builder and a surveyor, and £250 to Charles Boncey, a builder and a licensed victualler. Of the rest, £740 was borrowed by painters and glaziers, and £800 by a timber merchant. All of this money was advanced for a long period, the shortest being to a painter, plumber and glazier for £40 for just over two and a half years, and the longest, £1,000 to Edward White for just over twenty-nine years.[4] The sums borrowed were not spectacularly large, but it would appear from insurance valuations that the finance required for housebuilding was not large unless it was to be undertaken

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1. Pressnell, op.cit., pp. 339-340.
2. Ibid., p. 340. See also, Rae, op.cit., pp. 117-120.
3. J.R. Ward, 'Speculative Building at Bristol and Clifton, 1783-1793', Business History, vol. XX, No. 1, 1978, pp. 3-18.
4. LBA, A20 B/31, note nos. 246, 267, 294, 333, 347, 360, 374, bond nos. 166, 178.

on an extensive scale. Valuations of labourers' cottages could be as low as £50 each, in the early 1800s, and a house in Margate's very respectable Union Crescent for only £350.[1] Only with the larger buildings such as the York Hotel and the Sea Bathing Infirmary were figures of £1,000 and £2,000 respectively reached.[2]

The modest nature of many building projects of the period attracted capital from a wide variety of private sources, ranging from the gentry to petty tradesmen. In Margate, the larger projects were undertaken by collective enterprise, and the two most important squares, Cecil Square and Hawley Square owed their existence to the sponsorship of the gentry.[3] Other parts of the town were financed by people of more modest means. One such case that has been recorded is the building of a crescent near the Fort by a Margate fishmonger, Willian Rowe, in 1770.[4] Another indicator pointing to the participation of these groups in building is the way they commonly joined the notes and bonds securing loans taken by people in the building trades. In the case of one bond for £250, the builder Charles Boncey, was joined by a baker, a tallow-chandler and grocer, a painter and glazier and one other whose trade is unknown.[5] In 1808, The Times referred to seaside tradesmen who

> "in a very few years... make large fortunes, retire from their shops, and turn builders, and every year proves that they let their houses dearer."[6]

This opens up the possibility that some of the funds of the Margate

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1. KAO, U1453/B6/1/18, U1453/B6/1/30, U1453/B6/1/34, U1453/B6/1/15.
2. Ibid., U1453/B6/1/57; U1453/B6/1/4.
3. The Thanet Itinerary on Steam Yacht Companion, (1819), p. 44.
4. Whyman, op.cit., p. 240.
5. LBA, A20 b/31, bond no. 178; Pigot & Co., Directoryfor 1837, pp. 340-343.
6. The Times, 1 October 1800, 3a. Quoted in Whyman, op.cit., p. 232.

Bank were invested in building via some of their customers who were not actually in the building trades.[1] Unfortunately, the evidence for this is very thin partly because the correspondence only rarely throws light on the purpose of a loan, but also because many customers did not need, or possibly in some cases were not able, to transact their business by letter. This is particularly the case with many local traders producing and selling consumer goods. The Margate Bank's borrowers included a wide range of traders; coal merchants, wine merchants, shoemakers, grocers, drapers, bakers, butchers, watchmakers, braziers, ironmongers, tailors, milliners, dressmakers and straw hat manufacturers, but it is not known whether they used the bank's funds entirely to finance their own trades or whether some of it was used for building.

A little more information is available concerning the use made by schoolmasters of bank loans. Private boarding schools for the children of wealthy London and provincial families began to appear on the Isle of Thanet from the middle of the eighteenth century. This development was encouraged by the publicity given to the healthy nature of sea bathing and sea air so that by 1811 Margate had as many as thirteen schools.[2] The Cobb records have yielded references to five schoolmasters, the earliest being Thomas Coleman who was running a school in Margate at least as early as 1796.[3] There are a few references to him borrowing money in the 1790s and in January 1805 he acknowledged an outstanding debt. At the same time he lamented the poor state of his business due to the competition of new schools and the increase in the cost of living which increased the cost of feeding his pupils and encouraged many parents to keep their children at home.[4]
One of the borrowers of 1808 was Zachariah Cozens who borrowed

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1. The Cobb MSS contain the account book of William Stone, an inhabitant of Margate who converted his property into a lodging house. It covers the years 1777 to 1796 and notes the cost of conversion and the receipts from visitors. KAO, U1453/A2.

2. Whyman, op.cit., pp. 182-185.

3. Universal British Directory, (1796), p. 903.

4. KAO, U1453/B3/15/403, 25 August 1794, 19 June 1793, 4 January 1805 and "Monday noon".

£50 on a note. Cozens is yet another example of the difficulty in determining the purpose for which loans were used. In both 1796 and 1811 he was listed as a schoolmaster, and from the latter it becomes clear that he was master of the charity school.[1] But he is also listed in that year as the secretary to the Royal Sea Bathing Infirmary and could have been borrowing in that capacity. Furthermore a person of that name is also known to have compiled a guidebook of the town, and to have taken part in designing many of Margate's new buildings of the period.[2]

The other borrower of 1808 was a member of the Lewis family, as were the remaining schoolmaster customers of the bank that have been identified. In the late 1820s and 1830s these were Charles Sandys Lewis of the Church Field Academy, and W.G. Lewis of Chatham. Both of them were brothers of the Margate Bank's managing clerk, Samuel Lewis.[3] Charles Lewis sometimes required short term loans as his customers paid their accounts in arrears, after bills for teachers' salaries and food had been incurred. Some customers were evidently very slow to pay their accounts, as in May 1832 he asked for a loan for two months, "being somewhat troubled in collecting my Xmas a/cs."[4] A few years later, in 1837, he required a loan of £100 for a few weeks as the purchase of some additional accommodation resulted in greater spending for that half year.[5] Similarly W.G. Lewis made use of a short term loan when expansion resulted in a greater outlay:

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1. Universal British Directory of 1796, p. 903; Holden's Directory for 1811 .

2. Z. Cozens, A Tour through the Isle of Thanet, and Some Other Parts of East Kent, (1793); Whyman, op.cit., pp. 307-8.

3. KAO, U1453/B3/15/1180; U1453/B3/15/1189.

4. Ibid., U1453/B3/15/1180, 1 May 1832, Also, 17 June 1835.

5. Ibid., 13 December 1837.

"Our school is now larger than it has yet been which renders our expenditure heavier at present, tho' it will relieve us proportionately at Christmas; under these circumstances I would esteem it a great favour would you discount the enclosed Bill; the parties whose names are to it, possess bona fide property & of course consider themselves personally liable for its being duly honored.[1]

As well as periodic short and medium term loans, Charles Lewis also borrowed long term. Of the £1,350 he had outstanding on bond in 1836, £800 was borrowed for just over thirteen years, £350 for nearly eight and a half years and £200 for nearly six years.

The Margate Bank advanced money to representatives of virtually every trade and profession that practised in Margate, including rope-makers,[2] clerks, house agents,[3] the customs house officer, auctioneers,[4] a piano manufacturer,[5] the proprietors of a circulating library,[6] bathing rooms, an amusement park[7] and lodging houses,[8] representatives of the gentry, clergy and the medical profession and two Masters of Ceremonies.[9] Even the theatre received support from the Margate Bank on occasions, despite Francis Cobb II's well known disapproval of theatrical entertainment in his later life.[10]

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1. KAO, U1453/B3/15/1189, 17 October 1838.
2. LBA, A20 b/31, note no. 328. Pigot & Co., Directory for 1837, p. 852.
3. KAO, U1453/B3/15/793, 11 February 1805, 31 August 1807, 21 August 1810.
4. Ibid., U1453/B3/15/806, 26 November 1794.
5. Ibid., U1453/B3/15/776, 29 July 1815, 18 September 1816, 15 December 1816, 11 November 1818, 17 February 1818, 19 April 1820.
6. Ibid., U1453/B3/15/733.
7. Ibid., U1453/B3/15/603, 19 July 1832, 24 August 1832, 23 August 1833.
8. Ibid., U1453/B3/15/218.
9. Ibid., U1453/B3/15/387; U1453/B3/15/703, 27 June 1823, 19 November 1823, 11 September 1823, 16 October 1829, 23 March 1830, etc.
10. Ibid., M. Morley, Margate and its Theatres, (1966), pp. 33, 43-44.

The Margate Bank gave assistance to one of the town's most celebrated librarians, William Garner. Garner claimed to have worked in Margate as a librarian for forty-four years, having started in partnership in Cecil Square and then opened his own 'Marine Library' at the bottom of the High Street, overlooking the sea, in 1789.[1] The Marine Library was said to have a very extensive collection of books on history and antiquities, together with lighter reading,[2] but Margate libraries were also places for entertainment. Garner's library had a well-furnished shop selling stationery, trinkets and Tunbridge ware, and it became usual for librarians to provide entertainment in the form of raffles, lotteries, music and dancing. A guide book of 1816 noted that

> "The brilliancy of the company which attended them was astonishingly great; for as they have enjoyed some of the pleasures of the ball-room, without being under the restrictions which are necessarily observed in an assembly, not only the generality of the visitants, but those of the highest rank, were found partaking of the amusement which these rooms afforded."[3]

To attract such high quality customers, librarians had to build impressive and well-decorated premises and carry an enormous stock of books, stationery and other goods, including prizes for raffles. Income was mostly confined to the summer season. Each season varied considerably, as did fashions, while in offering entertainment, they were in competition with the theatre, the assembly rooms and, from the 1820s, the bazaars. The historian of Margate suggests that

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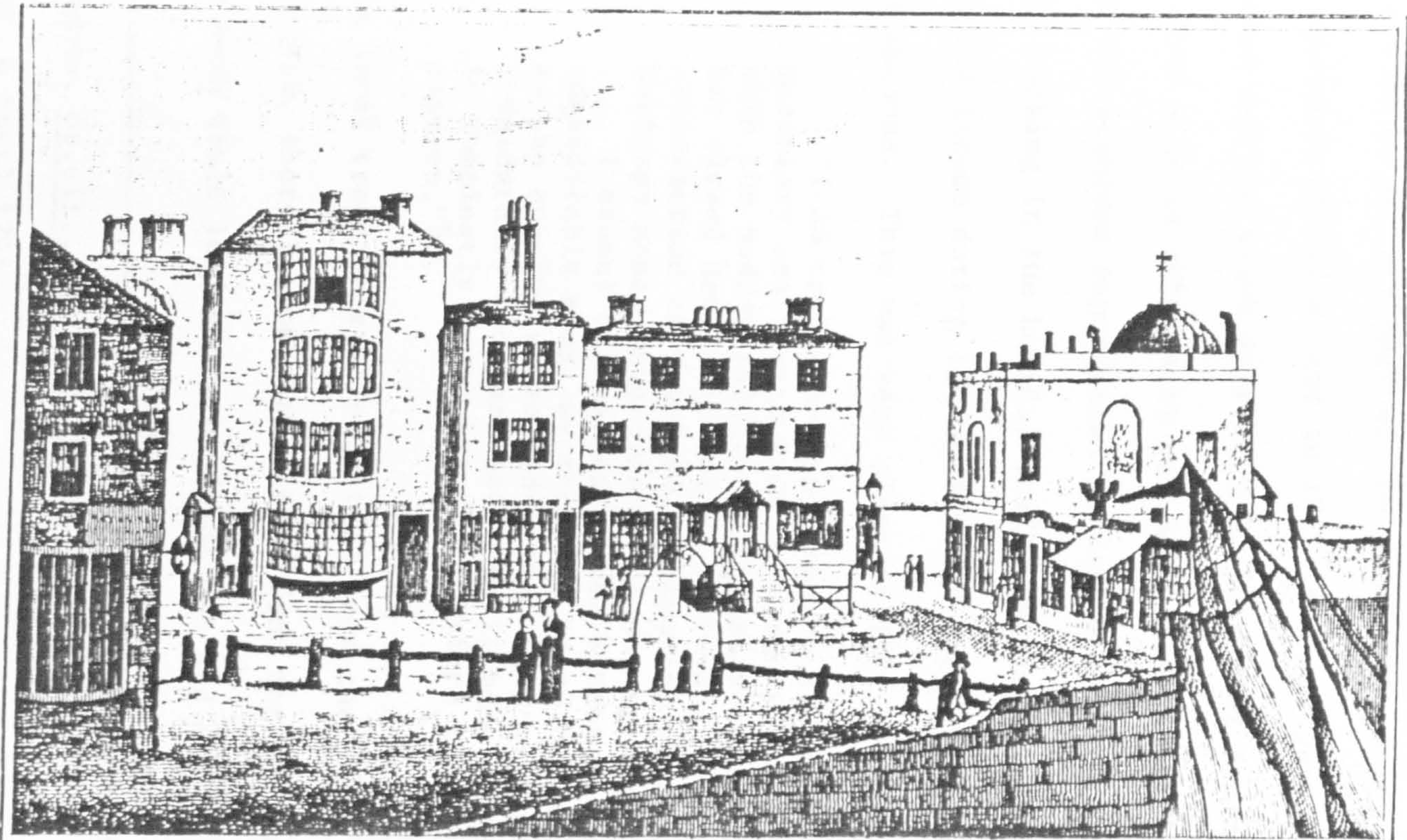
1. W. Garner, Miscellaneous Recitations or Whims of the Loo Table, (1827), ix; Whyman, op.cit., pp. 315-319.

2. The New Margate, Ramsgate and Broadstairs Guide, (6th ed., Margate (1816), p. 72.

3. Ibid., p. 74.



HIGH STREET & GARNERS LIBRARY.

from Marine Parade

Source: W. C. Oulton, Picture of Margate, (2nd ed., 1821).

> "there were few seasonal seaside trades where the potentiality for bankruptcy was greater than with the circulating libraries."[1]

The earliest evidence of Garner being in debt to the Margate Bank is in January 1795 when Cobbs were asked to discount two bills and use the proceeds to pay off part of the debt.[2] There are several later references to the discount of bills, and in 1811 to a mortgage.[3] Garner's library was wrecked and the stock destroyed in the great storm of 1808.[4] It seems likely that a quick rebuilding was made possible by a mortgage from Cobb. Some of the problems experienced by Garner must have been common to many of those working in the holiday trade, particularly the necessity of earning most of his income during the season and the variations which occurred between seasons. This was very clear in 1811.

> "I am truly concerned that a disappointment of pecuniary assistance from a friend in town - together with the sudden failure of our season, which this year has closed unusually early, - prevents me the satisfaction of immediately repaying that portion of the Mortgage money, conformable to our agreement....
>
> I cannot ensure during the Winter to deposit any considerable sums, my receipts being but trivial, but as the ensuing season advances, they will no doubt considerably increase and I shall make every arrangement to compleatly repay the whole before the time stipulated expires."[5]

One local trade generally omitted from the trade directories is fishing. Nevertheless, there is some indication from the correspondence that the Margate Bank would lend money to fishermen and the fish trade. Margate,

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1. Whyman, _op.cit._, pp. 331-332.
2. _KAO_, 4 April 1795.
3. _Ibid._, 9 February 1811, 13 June 1811, 20 November 1811.
4. Whyman, _op.cit._, pp. 317-318.
5. _KAO_, U1453/B3/15/733, 20 November 1811.

like most coastal towns, was traditionally a fishing community. Its development as a resort helped to reinvigorate the industry, which also sent supplies up to London.[1] In some years, Thanet fishermen travelled considerable distances, to Iceland or the North Sea in search of fish. A local gentleman-farmer, described how these longer voyages were usually financed in his journal published in 1836.

> "...to enable them to perform their voyage, many farmers, and their sons, are induced to advance a sum, which they call venture, say ten, fifteen, or twenty pounds in shares, towards freighting of those vessels, and partake of the profits, if any, on their return.[2]

An alternative source of credit was from the fish merchants of London or elsewhere. One provincial firm, John & Anne Hounsell of Bridport left promissory notes with Cobbs to be paid off by Thanet fishermen at the end of each year between 1811 and 1815. These were usually for small sums. In 1815, three promissory notes amounted to just over £40, and had a currency of about six months.[3] In another case, a London fish merchant deposited £300 with Cobb to be advanced to a Mr. Chance of Broadstairs who was to purchase and cure herrings for his account.[4] Twelve years earlier, Cobbs played a more direct part when, on behalf of the same firm, they advanced £60 to a William Philpott who in turn was to advance the money to local fishermen.[5]

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1. Whyman, _op.cit._, vol. I, pp. 30-33, vol. II, pp. 415-416.
2. J. Mockett, _Mockett's Journal_, (Canterbury, 1836), p. 2.
3. _KAO_, U1453/B3/15/991, 18 December 1815, 26 November 1811, 26 November 1812, 11 January 1813, 15 February 1815.
4. _Ibid._, U1453/B3/15/346, 28 October 1816.
5. _Ibid._, 17 October 1804.

There is also a little evidence of Cobbs having advanced money directly to fishermen. In the early 1820s, the bank received several requests from Susan Bayley of Broadstairs for a loan to her son. In 1820, she proposed a loan of £150 for twelve months to help her son purchase a boat. It is not recorded whether the advance was granted, but in 1822 Cobbs advanced £50 on a joint note for six months.[1] A second example is that of George and Ann Bell of Whitstable. The earliest evidence of a loan is for 1823, and in January 1828 there is a reference to a mortgage for £160 being paid off, plus a cash advance of £30.[2] Later, in 1835, there was a request for an advance of £30 to be used for the purchase of a small fishing boat for catching shrimps, to be paid off when a larger vessel was sold.[3]

Between 1814 and 1817 Cobbs became involved in the herring trade, buying fish, having them salted, pickled and barrelled and exported to the West Indies and Madeira. To undertake this work they employed an agent, H.E. Sievers, who, in 1814, was said to have "exceedingly respectable connections in the fish trade and... [to be] doing very well."[4] This opinion was soon to be modified. By the beginning of the following year he was described as "a shabby fellow".[5] At one time it was proposed that the herrings should be exchanged for gunpowder in Madeira, which would then be sold to the Dutch government, but it was found that Sievers'

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1. KAO, U1453/B3/15/103, 18 August 1820, 12 February 1822, 28 May 1822, 17 February 1823.
2. Ibid., U1453/B3/15/114 14 January 1823, 22 December 1823, 8 August 1823, 26 January 1828.
3. Ibid., 21 May 1835.
4. Ibid., U1453/B3/15/489, 24 October 1814.
5. Ibid., dated 2 January 1814, but probably 1815.

associates in Holland were not "quite respectable".[1] In January 1815 it was said of Sievers and one of his connections

> "without you arrest these men you will never be paid, but the last time I saw Jefferys he told me if you were to kick him from H to Hackney you could not kick £16 out of him, he appears to be a low vulgar fellow and it is my opinion that he never intends to pay you without you oblige him, it is of no use to show lenity to dishonorable men such as him and Mr S."[2]

In that year Sievers was declared a bankrupt, and in the following year he was arrested and put in prison for a few days for a debt of £1,300.[3] Despite these setbacks Sievers spent most of the period buying fish on the Kent coast and from the area around Portsmouth, and consigning it for export. These activities were financed by Cobbs, who in January 1816, for instance, gave Sievers a credit of £200 at the Portsmouth bank of Godwin & Co. so that he could purchase and cure fish,[4] and in the following month accepted a draft on a joint account with Sievers for the purchase of twenty to twenty-five tons of salt.[5] Furthermore, Cobbs had to take responsibility for some of Sievers' debts to ensure that his creditors did not have him arrested again and imprisoned. In April 1816, Cobbs endorsed two promissory notes of £120 each before one creditor would relinquish a claim on some of the herring barrels in Cobbs possession.[6] In the August of that year, against a background of trade depression, it

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1. KAO, U1453/C353, 16 March 1816, 23 March 1816.

2. Ibid., U1453/B3/15/489, 18 January 1815.

3. Ibid., U1453/B3/15/741, 17 May 1817; U1453/C353, 23 March 1816, 25 March 1816, 27 March 1816.

4. Ibid., U1453/B3/15/1741, 6 January 1816.

5. Ibid., 21 February 1816, See also 8 January, 15 January 1816, 2 March 1816, 17 April 1816; U1453/C353, 8 February 1816, 16 February 1816, 9 March 1816, 11 March 1816, 13 March 1816, 16 March 1816, 16 April 1816, 14 June 1817, 25 June 1817.

6. Ibid., U1453/B3/15/1022, 15 April 1816, 13 August 1816.

was becoming difficult to find a market for herrings.[1] Some of the fish arriving in St. Vincent in 1817 was only fit for manure and was sold well below the expected price.[2] By the middle of 1817 Sievers was insolvent again, having accumulated debts of just under £3,000 since his previous bankruptcy. Of this, £1,500 was owed to Cobbs[3] who in 1820 wrote off £1,038.7s. as a bad debt.[4]

The following three chapters consider the advances of the Margate Bank to three sectors of the economy, agriculture, agricultural middlemen and transport. The importance of these groups has already been suggested, and it is underlined by the relative wealth of documentary material relating to them that has survived.

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1. KAO, U1453/B3/15/1741, 16 August 1816.
2. Ibid., U1453/C6, 19 May 1817.
3. Ibid., U1453/B3/15/741, 17 May 1817.
5. LBA, A20 b/12, p. 53.

# CHAPTER 7

## Agriculture

The importance of agriculture in the development of Britain in the eighteenth and early nineteenth centuries has received considerable emphasis in recent years. There are good reasons for such an emphasis. Agriculture was of great importance in terms of employment and its contribution to national income. Its ability to feeda growing population without there being any rise in the price of food or raw materials so serious as to prove a check to industrialisation was also of great importance, as was its ability to release a sufficient quantity of labour for the needs of industry so that there was only a limited upward pressure on industrial wages.[1] Dr. Hueckel summarises the role of agriculture as follows:

> "far from inhibiting the process of economic growth [English agriculture] enhanced that process through its ability to produce the food and raw materials necessary to feed and clothe a growing population without at the same time drawing resources from manufacturing.... The rate of technological advance, while not up to the pace set in contemporary industry, accelerated to levels unknown in earlier centuries: and the industry... adjusted quickly to the shocks of war and peace, protection and free trade."[2]

One other common suggestion is that agriculture provided capital for industry, both in the form of entrepreneurial talent and the savings

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1. See for instance, E.L. Jones, Agriculture and Economic Growth in England, (1967), pp. 1-48; G. Hueckel, 'Agriculture During Industrialisation', in R. Floud & D. McCloskey, The Economic History of Britain Since 1700, (1981), vol. 1; G.E. Mingay, English Landed Society in the Eighteenth Century, (1963), especially chapter VII; T.S. Ashton, The Industrial Revolution 1760-1830, (1948), p. 86.

2. Hueckel, op.cit., pp. 202-3. For some revisions of previous evidence of productivity performance see, M. Turner, 'Agricultural Productivity in England in the Eighteenth Century: Evidence from Crop Yields', Economic History Review, 2nd series, vol. XXXV, 1982, pp. 489-510.

of landowners and farmers which could be employed in industrial investment.[1] It certainly appears that the rural areas were, on balance, the suppliers of surplus funds which were channelled to the industrialising areas through the banking system. For this there is the testimony of Thomas Richardson and the surviving evidence of such banks as Cobbs and Barnards of Bedford.[2] The extent to which these savings came directly from agriculture, however is less clear. The evidence of three north-east Kent banks, Cobb & Son, Austen & Co., and May & Co., suggest that most depositors lived in the towns, and that the urban gentry were particularly prominent. Indeed, Professor Jones has doubted whether the savings of farmers could have achieved significant proportions until the advent of windfall profits during the Napoleonic Wars.[3]

Furthermore, he pointed out that agriculture itself required funds, both for long term investment, and to finance working capital. Research into modern farming has shown that farmers are most in need of credit during the Spring as "heavy deficits [are] being incurred in the spring of the year while the main period of surplus occurs in the late

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1. T.S. Ashton, The Industrial Revolution 1760-1830, (1948), p. 106.

2. BPP, Minutes of Evidence, Bullion Committee, 1810, vol. III, p. 122; L.S. Pressnell, 'Joseph Barnard: Westminster's Predecessor in Bedford', Westminster Bank Review, February 1960, p. 10.

3. Jones, op.cit., p. 31.

autumn and spring."[1] Income on arable farms, in particular, is concentrated into a short period, shorter than dairying where there is a more even distribution of receipts and expenditures. The need for seasonal credit is both greater and longer for arable farms.[2] Professor Jones suggests that this must have been the case in the eighteenth and nineteenth centuries and that it must have "surely required a reverse flow of lending".[3] This must have been inconvenient when manufacturers were building up stock for post-harvest sale, stretching the country's supply of working credit to its limit before the harvest.[4]

Farmers required long term investment for items such as farm buildings and fencing, and medium term improvements such as marling. The long term improvement that has been of most interest to historians is enclosure. Neither Kent nor the Isle of Thanet participated in the enclosure movement, Kent having been an enclosed county even in the sixteenth century.[5] Consequently, there is no evidence of Cobb & Son ever having financed an enclosure. Nevertheless, the debate over enclosure has highlighted certain factors that influenced long term investment in agriculture, particularly the level of agricultural prices, the rate of interest and the ease of borrowing. These matters were raised by Professor Ashton who further argued that even where borrowing was not essential, account had to be taken of the opportunity costs involved. A decision had to be made, for instance, whether or not to purchase in the Funds, or to sell an existing investment in the Funds. If the

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1. M. Marks, 'Measurements of Agriculture's Seasonal Credit Requirement', <u>Farm Economist</u>, vol. IX, 1958-61, p. 450.

2. <u>Ibid.</u>, p. 450.

3. Jones, <u>op.cit.</u>, p. 31.

4. <u>Ibid.</u>, p. 31.

5. J.R. Wordie, 'The Chronology of English Enclosure, 1500-1914', <u>Economic History Review</u>, 2nd series, vol. XXXVI, 1983, p. 489.

rate of interest were high there was the further consideration that a sale would entail a loss as the price of stocks would have fallen.[1]

Some subsequent historians heavily qualified the importance of the supply of finance on the grounds that, many enclosures were financed out of estate income, the return on enclosures was much greater than on the funds, and that the relationship between the rate of interest and enclosure broke down when apparently high rates of interest were accompanied by a boom in the enclosure movement during the Napoleonic Wars. Instead, they pointed to the level of agricultural prices as being of prime importance in explaining the peak periods of Parliamentary enclosure.[2] This view has in turn been questioned and the role of the rate of interest reinstated. Turner's dissatisfaction with the prices theory stemmed from the fact that the turning point in prices in the 1750s preceded the first Parliamentary enclosure movement by at least ten years. He also took the view that the first parliamentary enclosure boom was a means by which land was converted from arable to pasture in response to the depression of arable prices in the first half of the century and was related to the relative returns of the two types of farming. He suggested that the level of interest rates was a better explanation of the first enclosure movement. Furthermore, his researches into the cost of enclosure, which have shown that costs were much higher than was previously appreciated, and his suggestion that the returns have been over-estimated, has strengthened the

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1. T.S. Ashton, An Economic History of England, The 18th Century, (1955), p. 41.

2. J.D. Chambers & G.E. Mingay, The Agricultural Revolution 1750-1880, (1963), pp. 82-4; F.M.L. Thompson, English Landed Society in the Nineteenth Century, (1963), pp. 224-6.

case for viewing the rate of interest as an important factor.[1] As to the supposed breakdown of the relationship after 1790, the inflation of the period meant that real rates, as opposed to money rates of interest were low.[2] This point had already been suggested by Professor Ashton with regard to the years 1796 and 1797.

> "It is true that government stock stood at a low figure, but these were years of high inflation, and country banks, as well as those of the metropolis were lending freely on bond and equitable mortgage, at the legal rate of interest."[3]

Dr. Turner concludes that neither interest rates nor price movements alone are adequate explanations of the enclosure movement, but that both operated together:

> "The opportunity cost of investment in enclosure can be compared with other forms of investment, as in consols, but the income from investment in enclosure for landlords came from rents, and these must have reflected price changes in order to maximise income without bankrupting the tenants, and the income from enclosure for the owner-occupiers was a delicate balance between costs (the cost of borrowing for example) and revenue gains which necessarily reflected price movements."[4]

Evidence that country banks were willing to lend to agriculture stretches back to quite an early period. Professor Checkland found that in Scotland, advances to agriculture on 'heritable bond' (the

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1. M.E. Turner, English Parliamentary Enclosure, (Folkestone, 1980), pp. 106-109; M.E. Turner, Enclosures in Britain 1750-1830, (1984), pp. 47-51; M.E. Turner, 'Cost, Finance and Parliamentary Enclosure', Economic History Review, vol. XXXIV, (1981), pp. 236-248. M.E. Turner, 'The Cost of Parliamentary Enclosure in Buckinghamshire', Agricultural History Review, vol. XXI, (1973), pp. 35-46.

2. D.N. McCloskey, 'The Enclosure of Open Fields: Preface to a study of its Impact on the Efficiency of English Agriculture in the Eighteenth Century', Journal of Economic History, vol. XXXII, (1972), pp. 137-8.

3. Ashton, An Economic History..., op.cit., p. 41.

4. Turner, Enclosures..., op.cit., pp. 51-52.

equivalent of a mortgage) had been undertaken by banks as early as the 1760s.[1] Dr. Munn has also found that some of the Scottish banking companies would lend to farmers, although some were very cautious, fearing that the nature of the credit that farmers required was rather longer than they were willing to give. One such bank was the Perth Banking Company, which in 1809 would not give cash accounts to farmers.[2] On examining evidence in ten English counties, Professor Pressnell found that lending by country bankers to enclosure commissioners for up to periods of two or three years "was not exceptional", although he doubted whether the author of The Utility of Country Banks Considered was justified in claiming that "most of the inclosures of land have been promoted and carried into effect" with the aid of country banks.[3]

The general impression given by Parliamentary papers is that banks were generally willing to lend to agriculture during the Napoleonic Wars when the prices of agricultural products were rising, but that advances were very much curtailed in the subsequent depression, and in some cases stopped altogether. Among the witnesses who claimed that banks advanced more freely to agriculture during the Suspension period were Richard White of Ludlow in 1833[4], John Houghton of Berkshire[5], Richard Spooner[6] and Henry Burgess in 1836[7]. Spooner explained that in

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1. S.G. Checkland, Scottish Banking, A History, 1695-1973, (1975), p. 227.

2. C.W. Munn, The Scottish Provincial Banking Companies, (Edinburgh, 1981), pp. 197-198.

3. L.S. Pressnell, Country Banking in the Industrial Revolution, (1956), pp. 351-355.

4. BPP Minutes of Evidence, Select Committee on Agriculture, 1833, vol. V, pp. 539-540.

5. BPP Minutes of Evidence, Select Committee on Agricultural Distress, 1836, vol. VIII, Qs 762-763.

6. Ibid., Qs 15596-15599, 15707-15709.

7. Ibid., Qs 15946-15953.

the earlier period

> "farmers were then generally doing well and there was no great reason to apprehend such a great fluctuation in money; the bankers made a profit and the farmer paid again when he got in his harvest, but that is not the case now."[1]

Burgess explained that during the Suspension period many country bankers were willing to grant advances on "imperfect security", personal character being considered to be a sufficient guarantee, "so long as they could rely upon the productions of industry remunerating the producer".[2] John Houghton claimed that the keenness of country banks to lend to farmers had put an upward pressure on rents by inducingpeople to take on farms on borrowed capital;

> "a farmer would go to a landlord and take at a higher rate than he could possibly make it answer, because he had a facility for borrowing money of his banker, who was anxious to get his paper afloat;... I knew many farmers who were doing comfortably under the old system, when men who had the issuing out of this paper money offered it to them, and they were induced to accept it little thinking how soon they might want the money to pay again; some were not prepared to repay it, and then there was a blow up."[3]

The author of '<u>The Utility of Country Banks Considered</u>' similarly attributed the high price of land during the wars to the assistance given to farmers and landowners by country bankers.[4] Others claimed that large loans to farmers had enabled them to manipulate the market by delaying sending their corn to market. This was denied by Henry Thornton who, acknowledging that farmers had had greater access to capital in recent years, maintained that most of it had been invested

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1. <u>Ibid</u>., Q. 15709.

2. <u>Ibid</u>., Q. 15946.

3. <u>Ibid</u>., Q. 763.

4. Anon., <u>The Utility of Country Banks Considered</u>, (1802), pp. 70-71, 22-23, 66-68.

in improvements and thus increased the supply of grain.[1]

That country bank funds were used to make improvements was confirmed by John Mosely, a farmer of Norfolk. He explained that the Bank restriction of 1797 had led the Bank of England and the country banks to be more liberal with their advances. Rising prices and profits encouraged farmers and landowners to undertake improvements while the prosperity of agriculture encouraged the country bankers to lend.

> "Agriculturists finding a ready sale for their produce, at advancing prices... were naturally led to increase it, by borrowing more money, to improve the land in cultivation, or to convert waste into tillage. This avidity of farmers to borrow, was met by a correspondent eagerness of bankers to lend. Thus borrowing increased the circulation of paper, which augmented the real quantity, and fictitious value of produce and capital, and consequently of security. In this manner, the cause and effect were mutually stimulating each other to an unlimited extent."[2]

After 1813, the price of most farm products, above all grain, began to fall. Between 1800 and 1810 the price of wheat was usually more than 80s. per quarter, but in the years 1820-24 it fell to an average of 57s, and was never to rise to its wartime levels again. Indeed, in 1822, it slumped to as low as 43s., the lowest price since 1792.[3] The two decades after the Napoleonic Wars were difficult years for British farmers, particularly the years 1814-1816, 1821-23 and 1833-6. Not all farmers were equally hit. Up to 1823, livestock farmers were affected as well as grain producers, but by the 1830s complaints were confined mainly to arable farms. Of the arable farms, those on

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1. Henry Thornton, An Enquiry into the Nature and Effect of the Paper Credit of Great Britain (ed. F. von Hayek, 1939), pp. 177-8.

2. Board of Agriculture, The Agricultural State of the Kingdom, 1816, (ed. G.E. Mingay, 1970), p. 209.

3. B.R. Mitchell & P. Deane, Abstract of British Historical Statistics, (1962), pp. 488-489.

the heavy, undrained clays which were expensive to work and subject to a higher risk of crop failure were the hardest hit, while the position of farmers on light soils was mitigated by low working expenses and more consistent harvests.[1] The problems of British farmers were aired in a series of reports and inquiries in 1816, 1820, 1821, 1832 and 1836. The 1821 report stated that

> "at the present price of corn, the returns to the occupier of an arable farm, after allowing for the interest of his investment, are by no means adequate to the charges and outgoings; of which a considerable proportion can be paid only out of the capitals, and not from the profits of the tenantry."[2]

Several reasons were put forward for this change in the fortunes of agriculture. The resumption of cash payments by the Bank of England was one factor exerting a general downward pressure on prices. While this had an immediate impact on the price of farm products, its effect on the farmers fixed costs was less immediate. Witnesses frequently complained that rents were slow to adjust after having been increased during the war, both in line with the increase in prices and as the land was improved.[3] John Lake of Sittingbourne, for instance, complained in 1821 that the rents for some of the properties in his area had been set eight or ten years previously with reference to the high wartime prices.[4] Other common complaints included the burden of rates and taxes, the cost of labour and the prices charged by local tradesmen.

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1. Chambers & Mingay, op.cit., pp. 126-133.

2. BPP, Report of the Select Committee on Agriculture, 1821, vol. IX, p. 3.

3. Ibid., pp. 4-5.

4. BPP, Minutes of Evidence, Select Committee on Agriculture, 1821, vol. IX, p. 69; see also BPP, Minutes of Evidence, Select Committee on Agriculture, vol. V, 1832, Q Q. 5481-2; BPP, Minutes of Evidence, 3rd Report on Agricultural Distress, vol. VIII, 1836, Q. 15587.

John Cramp of Garlinge near Margate explained that

> "labour in a great measure is fixed; for although the price of corn at the present day, would, if it could be carried into execution, reduce the labourers' wage to about 7s a week, yet, as that cannot be done, he is therefore fixed in a great measure to that article."[1]

John Lake complained in 1821 that such tradesmen as blacksmiths, wheel-wrights and collar makers who had a local monopoly were still charging the prices of 1801, and that on the whole his bills had doubled since 1794.[2]

The other main factor behind the fall in the price of grain was the abundance of its supply. The supply of grain had been increased during the war both by improvements and by extensions of the area under cultivation. Furthermore, what were on balance rather less than average harvests during the war years were replaced by abundant harvests in the post war years. As Tooke pointed out in his History of Prices the demand for wheat was inelastic;

> "in the case of corn, the average quantity is sufficient for the supply of every individual; all beyond that is an absolute depression of the market for a great length of time, and a succession of even two of three abundant seasons, must evidently produce an enormously inconvenient accumulation."[3]

Hence the price of grain fell in a greater proportion than its supply was increased.

This reverse in the fortunes of farming had important implications for the willingness of country bankers to lend to agriculture. As early as 1816 country bankers were reducing their advances to farmers and

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1. BPP, loc.cit., Q.9518.

2. BPP, Minutes of Evidence, Select Committee on Agriculture, 1821, vol. IX, p. 74; see also BPP, Minutes of Evidence, 3rd Report on Agricultural Distress, 1836, vol. VIII, Q.9518.

3. Quoted in BPP, Report of the Select Committee on Agriculture, 1821, vol. IX, p. 8.

landowners. John Moseley of Norfolk explained that as soon as the price of corn fell below the average of other commodities

> "the capital of land becoming less precious, the security on which Country Bankers had lent their money, and circulated their notes was fast diminishing. Alarmed at this circumstance, these Bankers withdrew their accommodation upon credit."[1]

Several of the witnesses before the Parliamentary committees on agricultural distress stated that since 1815 the country banks had become very reluctant to lend to agriculture, although several suggested that there had been a good deal of such lending in the years leading up to the 1825 crisis but that it resulted in the ruin of many country bankers and confirmed the view that country bankers should not lend to agriculture. John Lake of Sittingbourne in 1821, said that farmers could not generally obtain loans from country bankers who he described as being "rather cautious".[2] Richard White of Ludlow also described country bankers as being cautious in 1833, the reason being the experience of the great losses they had sustained.[3]

Suggestions that the crisis of 1825 was an important factor came from John Houghton of Berkshire and Richard Spooner in 1836. John Houghton said that he could

> "name many bankers who went down with the panic in 1825 who lent money to farmers; and farmers have been induced to take land on those gentlemen going to them for the purpose of lending them money; when the panic came, down went the prices, and not only the bankers themselves, but the farmers were also ruined."[4]

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1. Board of Agriculture, op.cit., p. 212.
2. BPP, Minutes of Evidence, Select Committee on Agriculture, 1821, vol. IX, pp. 75-6.
3. BPP, Minutes of Evidence, Select Committee on Agriculture, 1833, vol. V, QQ. 539-541.
4. BPP, Minutes of Evidence, 1st Report on Agricultural Distress, 1836, vol. VIII, Q. 767.

Spooner pointed to an additional factor that made lending to agriculture unattractive. Compared with lending to tradesmen on bills of exchange with a few months to run, lending to agriculture even for working capital, was usually for a longer term and rarely on bills.

> "Accommodation to farmers is of a very different nature from accommodation to tradesmen; that is given on bills, and these bills are due within a certain short period; and money thus advanced its return may be calculated upon; but it is no use lending to farmers unless for a longer time, and no banker will lock up his money, being aware of the perpetual fluctuations which have taken place and which must take place in the value of money under the present system."[1]

On being asked whether farmers with good security could raise loans, he replied,

> "Not from bankers who understand their business, they will not lock up their money in dead loans to farmers; it had been the custom in many parts to accommodate farmers, and when the panic of 1825 came bankers could not get the money so lent. Farmers have no negociable security to offer and bankers learnt a lesson which they will not easily forget; they will not, by lending to farming, lock up their money again."[2]

Although the length of the loan and the nature of the security were important factors, Spooner implicitly admitted that it was the change in the fortunes of agriculture that was the prime reason for the alteration in the willingness of country bankers togrant advances to agriculture.[3] This point was raised by Henry Burgess, the secretary to the Committee of Country Bankers,who noted that seasonal credit was given to manufacturers on the basis of the personal characteristics of the borrower but without any marketable security. Such loans had

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1. BPP, Minutes of Evidence, 3rd Report on Agricultural Distress, 1836, vol. VIII, Q. 15707.

2. Ibid., Q. 15708.

3. Ibid., Q. 15709.

at one time been common in agriculture, and were made "so long as they could rely upon the productions of industry remunerating the producer".[1] but since country bankers in the 1820s and 30s perceived that agriculture was generally depressed and "that farmers are working materially on their accumulated profits, and that their capital is consequently greatly on the decrease", such loans had ceased.[2]

While this is the dominant impression given by the parliamentary papers , bankers could still be found in the 1830s who granted advances to agriculture. One such banker, who could hardly be accused of not knowing his business, was Vincent Stuckey. Stuckey had built up a banking network of fourteen branches in Bristol and Somerset by 1832, an area with a good proportion of pasture farming.[3] Stuckey told Parliamentary committees in 1819[4] and 1832[5] that he was in the habit of lending to agriculture. In 1832, he explained that

> "we are of course in the habit of accommodating farmers; that accommodation, from the month of May to the month of October, takes place to the extent of perhaps £40,000 or £50,000; everybody knows that in these months the farmers are out of cash, most farmers begin to be poor in the month of May, he has sold all his stock, and has got his harvest and everything to get in, and therefore, till October, he leans on his banker."[6]

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1. BPP, loc.cit., Q. 15946.

2. Ibid., QQ. 15961, 15950-15953.

3. BPP, Minutes of Evidence, Secret Committee on the Bank of England Charter, 1831-2, vol. VI, QQ. 927-8.

4. BPP, Minutes of Evidence, Select Committee on Resumption, 1819, HC, vol. III, pp. 244-245.

5. BPP, Minutes of Evidence, Secret Committee on the Bank of England Charter, 1831-2, vol. VI, QQ. 972-978.

6. Ibid., Q. 972.

Although the majority (⅔) of the deposits Stuckey received were withdrawable on demand and non-interest bearing, he also received some long term deposits on which he paid interest at 2½ to 3 per cent. This money he would then advance to landowners and farmers at 4 or 5 per cent. He went on to explain that,

> "We see what we have got in deposits on interest, which cannot be suddenly called for; we think we may safely lend to agriculturists to the extent of such deposits."[1]

For such advances Stuckey seems to have considered personal security to be adequate, usually the borrower's note, or a joint note with a guarantor. It was not usual for any negotiable security to be given, although in 1832 he said he might require title deeds to be deposited in the bank, thus making an equitable mortgage. The deposit of deeds was not very common,[2] and in 1819 he had told the committee that he was very reluctant to take mortgages.[3]

Another banker, who in 1836 claimed to do business with agriculturists, was John Langhorn of Berwick-on-Tweed. He noted that the farms on light soils in his district were not too badly hit by the depression, but those on heavy soil were "in a state of beggary and depression".[4] Nevertheless, he claimed "we do accommodate pretty liberally, for there is scarcely a farmer in the whole district that has not an account with us".[5] There had, though, been some reduction in the circumstances

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1. <u>BPP</u>, <u>loc.cit</u>., Q. 972.

2. <u>Ibid</u>., QQ. 973-978.

3. <u>BPP</u>, Minutes of Evidence, Select Committee on Resumption, 1819, HC, Vol. III, p. 245.

4. <u>BPP</u>, Minutes of Evidence, 2nd Report of the Select Committee on the State of Agriculture, 1836, vol. VIII, Q. 7553. The Berwick Bank of Batson, Berry, Langhorn & Wilson was formed in 1800 and failed in 1841.

5. <u>Ibid</u>., Q. 7570.

in which he was willing to lend in that he would no longer advance any money for the payment of rents, although he had made "a good deal" of such loans in the past. He added that "a failing trade" could not be trusted.[1] (In contrast, Stuckey in 1832 said he would grant advances to farmers requiring funds to pay their rents.[2])

The method he usually employed for making loans to farmers was a personal bond including the signatures of two guarantors, and the borrower was then authorised to draw for the sum specified. The magnitude of the sums he mentioned was between £300 and £500, but he added that;

> "It is not the universal rule, because, where a person is of noted capital, and frequently has money in our hands, then he will say I will overdraw you for £1,000 for a month or two; and I have said do so, when I know the money is quite safe."[3]

The rate of interest charged varied between 4 and 5 per cent.on loans of this type, but Langhorn also said he discounted bills for farmers at 4 per cent.[4] How these funds were used he did not divulge, but it might be expected that most of them were used to finance seasonal shortages of cash as in the case of Stuckey's Bank. Langhorn indicated that some long term improvements to the land in his area were being undertaken when he noted that landlords on the heavy clay soils were contributing towards drainage schemes to avoid further reductions in rent.[5] Even if his bank only provided short-term credit to agriculturalists, it would still be possible to say that by so doing he was releasing the capital of agriculturalists for investment in long term improvements.

For the conditions in the Isle of Thanet at this time there is

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1. BPP, loc.cit., QQ. 7576-7577.

2. BPP, Minutes of Evidence, Secret Committee on the Bank of England Charter, 1831-2, vol. VI, p. 73.

3. BPP, Minutes of Evidence, 2nd Report of the Select Committee on the State of Agriculture, 1836, vol. VIII, Q. 7570.

4. Ibid., QQ. 7578, 7579.

5. Ibid., Q.Q. 7599 - 7600.

the evidence of John Cramp of Garlinge who was a witness before the Select Committee on Agriculture in 1832 and before the Select Committee on Agricultural Distress in 1836. In 1832 Cramp said that the Isle of Thanet was less severely hit by the agricultural depression than other parts of the country because of its light, fertile soil and the ease and economy with which it could be cultivated.[1] The farmers, he said, were generally above the common description of farmers; they were "men of independent fortunes besides their occupation".[2] These farmers were not obviously poorer but he said that "in my converse with them I find, by their own accounts, that the farms yield no rents; that the outlay of capital is returned, but it is exclusive of rent."[3]

As to the state of the land in the Isle of Thanet he claimed that it had deteriorated considerably compared with what it had been, particularly where the land was farmed by tenant farmers, although this was less the case where it was, as in the case of the major part of the Island, in the hands of owner-occupiers.[4] This was attributed

> "to the want of capital and of stimulus that must necessarily arise from the inadequacy of produce returning the farmer any interest for his capital."[5]

When asked whether it was possible to raise loans from the country banks he replied;

> "There is no such thing to be had without giving real security; twenty years ago a farmer could get £1,000 where he can get £100 now."[6]

The reason for this difficulty in obtaining credit he gave was again the depressed state of agriculture and the lack of confidence

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1. BPP, Minutes of Evidence, Select Committee on Agriculture, 1833, vol. V, Q. 5461.
2. Ibid., Q. 5463.
3. Ibid., Q. 5462.
4. Ibid., Q. 5474.
5. Ibid., Q. 5475.
6. Ibid., Q. 5477.

that country bankers had in the industry.[1] Despite the above assertion that accommodation could only be obtained on real security, a few moments later he was describing the way country bankers would give advances on personal security. This was by means of two or three people joining in a note,

> "not an individual, unless he is well known to the parties to be a man of substance, though the whole of his property may be circulating."[2]

Later, in 1836, Cramp was again questioned about the state of agriculture in Thanet, although he was not asked about the possibilities of raising loans from country banks. The general tenor of his evidence was much the same as before, save that,

> "the farmers must be in a much worse condition; perhaps not obviously so; the greater portion of the Isle of Thanet farmers are cultivating their own estates, therefore the loss is not obvious; but that they must be considerable losers is evident."[3]

The Cobb records certainly provide evidence of lending to agriculture. It is not, however, possible to quantify such lending since the occupations of borrowers were not recorded, while the directories are particularly inadequate with regard to farmers.[4] The result is that a greater reliance has to be placed on the correspondence in identifying advances to agriculture than for any other trading or commercial group. For the same reason it is not possible to test the assertion that lending to agriculture was less common after 1815 than during the war years. Any impression that may be gained on this point from the correspondence is vitiated by the relative scarcity of evidence generally for the

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1. BPP, loc. cit., Q. 5478. Cobb & Son refused to lend on mortgages by this time. See above pp. 257-8.

2. Ibid., Q. 5480.

3. BPP, Minutes of Evidence, Third Report from the Select Committee on the State of Agriculture, 1836, vol. VIII, Q. 9483.

4. See pp.77-8 above.

period before 1815 compared with its relative abundance after that date.

There are several examples of the Margate Bank making short to medium term loans of more than a month to agriculture. One of the earliest was to John Hubbard of Harmondsworth in Middlesex. Hubbard was a landowner, and in March 1799, he asked for the loan of £200 for six weeks "owing to the backwardness of my tenants". The following July, Cobbs still had not been repaid as one of his tenants had still not paid his rent, from whom £700 was only obtained by legal action. The loan was finally repaid at the end of January 1800.[1]

A second example of a landowner borrowing on short term is that of George Hannam of Bromston House, Thanet. His first application for a loan was in 1809 for £500 for up to a year, at the same time offering Cobb & Son any security they might choose. In the event the loan was not taken up[2] but it appears that he made use of an advance of £200 for fifty days in 1829. The money was used to purchase sheep for his tenants who it appears were in severe financial difficulties for he concludes,

> "I am much annoyed that the poverty of my Tenants compels me to solicit these favors of you."[3]

One agricultural customer who was in receipt of more regular seasonal assistance was J. Pierce of Margate. Pierce bought a farm on Thanet in 1816 when he asked for a mortgage of £250 for three years. Cobbs answer is not known,[4] but in June 1817 he asked Cobbs to "discount my note" due in October "as in former events".[5] Similar requests for Cobbs to discount notes during the period of the year when farmers were shortest of cash came in July 1822 and July 1824, both for small

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1. KAO, U1453/B3/15/999, 16 March 1799, 30 July 1799, 30 January 1800.
2. Ibid., U1453/B3/15/873, 15 November 1809, 22 November 1809.
3. Ibid., 25 August 1829.
4. Ibid., U1353/B3/15/1471, 17 January 1816, 27 January 1816.
5. Ibid., 26 June 1817.

sums of £17.4.6. and £10-12 respectively.[1] In the following year, 1825, he asked for a note of hand at a longer date, from January to October, to be discounted, a request to which Cobbs acceded but at the same time said that it would not be repeated. A similar request in the post-crisis year of 1826 was therefore duly declined as was also a later request in 1832 for an advance on a mortgage on the grounds that the bank did not handle mortgages. At the same time Cobbs referred him to a solicitor (unspecified) who could find funds for such a purpose.[2]

John Mockett,[3] an owner-occupier of St. Peter's Thanet was also in receipt of seasonal loans which were cut short in 1825. Unlike Pierce's account, where most of the loans were made on promissory notes, the loans to Mockett were more commonly on accommodation bills which Cobbs discounted. This is made clear when in January 1816 he referred to some bills in Cobbs' hands which had just become due;

> "You are aware they have been accepted for my accommodation, to give me time to obtain money. I am truly sorry to say it so scarce I cannot meet with any."[4]

Many bills were accepted by a Mr. Hoile, a hoyman and farmer of Sandwich. In June 1820, Mockett wrote as follows:

> "Mr Mockett with Mr Hoile's respects to Messrs Cobbs and will be much obliged to them to discount a bill for £100 for 4 months, in the <u>same way</u> as last year a part of which would be wanted this week, and the remainder early in August."[5]

In April 1822 he asked for a bill of £100 to be renewed and increased

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1. <u>KAO</u>, U1453/B3/15/1471, 15 July 1822, 2 July 1824.

2. <u>Ibid</u>., 10 January 1825 (this letter refers to a similar transaction of the previous January) 25 January 1826, 19 September 1832.

3. See J.M. Mockett, <u>Mockett's Journal</u> (Canterbury, 1836).

4. <u>KAO</u>, U1453/B3/15/1337, 9 January 1816.

5. <u>Ibid</u>., 19 June 1820.

to £150 or £200.

> "for my accommodation on his Acceptance [Mr Hoile's] as you did last year."

Similar bills were discounted in January 1823 and December 1823, the former being on Mr. Hoile for £200 at three months and the latter, again on Hoile, for £100, though the period for which it was drawn is not clear.[1] Nevertheless, this advance illustrates how a short-term loan could be turned into a much longer loan by renewal, for it was probably the latter bill that was renewed in April 1824.[2] A further request for a renewal came in December 1824 with an explanation that the money had been used to fight a legal case on the question of

> "Whither an individual may protect his own property from the ravages of a destructive animal."

Cobbs, however, refused to renew the bill, reminding him that the current bill was already

> "a renewed bill and was at the time drawn at the extended period of eight Months in order that it may be punctually paid when due."[3]

The bill was duly paid[4] and the following year, 1825, witnessed two refusals by Cobbs to discount accommodation bills for Mockett[5] (Mockett made two remittances in November 1825 in payment of a bill but there is no indication that this was an accommodation bill and may well have been an ordinary trade bill).[6] The next clear evidence that Cobbs were discounting Hoile's acceptances for the benefit of Mockett is in 1830 when he received a loan from January to April.[7]

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1. KAO, U1453/N3/15/1337, 6 January 1823, 10 December 1823.
2. Ibid., 6 April 1824.
3. Ibid., 2 December 1824.
4. Ibid., 16 December 1824.
5. Ibid., 24 February 1825, 24 June 1825.
6. Ibid., 17 November 1825, 28 November 1825.
7. Ibid., 1 January 1830, 15 April 1830.

The correspondence of the following years to 1833 concerns a chain of bills which Mockett had difficulty in paying. How many of these bills were accommodation bills and how many were trade bills is unclear, but in a letter of December 1831 he mentioned that he had written to Mr. Dering, the Margate solicitor, to ask "if he will stand for my accommodation a little longer".[1] From the correspondence of Thomas Hoile it is clear that Dering had accepted accommodation bills on Mockett's behalf in 1830 which were discounted at Cobbs but subsequently had to be paid off by Hoile.[2] Mockett's bill to Brooke illustrates how Cobb & Son could be induced to extend the period of credit when the acceptor of a bill could not pay it. In February 1832, Mockett was unable to pay this bill, but offered twenty five quarters of barley for malting in the brewery in part payment. The following May (5 months after the bill originally became due) he was still unable to pay but promised to make some arrangements with Mr. Hoile to secure its payment.[3] It was not always an easy matter for Cobbs to secure the payment of bills; resorting to the law could be expensive, while any pressure on the acceptor to raise the necessary cash could result in his having to sell his goods in an unfavourable market at a ruinous loss. When, for instance, Cobbs applied to Hoile in 1833 for the payment of one of his acceptances on Mockett's behalf, they received the following

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1. KAO, U1453/B3/15/1337, 22 December 1831.
2. Ibid., U1453/B3/15/961, 18 January 1830, 17 February 1830.
3. Ibid., U1453/B3/15/1337, 19 February 1832, 21 May 1832.

reply;

> "I trust it is not your wish that I should sett on an extra number of men to thrash my present crop and force a sale of my corn at the slow demand for all descriptions of the same nor do I for one moment consider you would put either Mr M and myself to any unnecessary law expenses."[1]

That Mockett supplied barley to the Margate brewery was probably a factor in Cobbs' willingness to give him credit so frequently as they were assured that any advances could be at least repaid in kind, in a commodity which was used to a large extent in their own business, and would find a ready sale in London. In contrast, a non-brewing banker would have no use for barley, know little of the market or its value and would in consequence be generally reluctant to accept payment in such a form. Another important agricultural customer of the Margate Bank who supplied barley to the Margate Brewery was Major Robert Garrett of Updown Farm near Birchington.[2] In April 1833, for instance, Garrett asked Cobbs to discount a bill for £252.10s. at four months which would have no doubt assisted him at a time of year when farmers were short of cash.[3] At other times he was permitted to overdraw his account. In January 1828 he wrote,

> "I regret that my Farm account should be in debt to you, but I hope that will not long be the case, as I have sundry sums to come in for produce sold."[4]

In January 1832 Garrett was given assistance in purchasing stock for his farm by Cobbs paying for barley delivered to their brewery

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1. KAO, U1453/B3/15/961, 31 January 1833.
2. Ibid., U1453/B3/15/736, 28 January 1833, 17 February 1836.
3. Ibid., 25 April 1833.
4. Ibid., 15 January 1828.

at an earlier date than was customary.

> "My bailiff 8 or 10 days ago sold some barley to your Brother, the produce of which amounts to upwards of £100 and I am about to ask you to give me credit for that amount in my Farm Account earlier than usual, as I have been making a large purchase of cattle of Mr Gibbons, to whom I wish to give a cheque of £100 on you for payment."[1]

Garrett was also in receipt of longer term loans from the late 1820s and 30s. The earliest of these, for which there is any evidence, is for £2,000 on a promissory note in 1827, signed by Major Garrett and his wife, for a period of nine months.[2] The following January, shortly before the note became due, Garrett had to ask for a month's extension. Even with the extension Garrett was unable to pay, and a fresh note was drawn up in March 1828 for £2,500.[3] By December 1828 the amount of the advance had further increased to £2,800.[4] Cobbs were apparently concerned at the size and length of the loan and probably encouraged Major Garrett to reduce it by finding someone else to advance the money to him on a mortgage. By February 1829, £2,000 had been raised on mortgage and £2,000 of the advance from Cobbs paid off,[5] but this still left the sum of £800 which was then secured by a bond signed by Garrett and his father and not paid off until 1837 and 1838 when it was paid off in two instalments of £400 each.[6] To this was added a further promissory note for £250 at six months which Cobbs discounted in February 1834.[7] Although this advance was initially

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1. KAO, U1453/B3/15/2250A, 16 January 1832.
2. Ibid., 7 May 1827.
3. Ibid., 1 March 1828.
4. Ibid., 30 December 1828.
5. Ibid., 8 January 1829, 3 February 1829, 17 February 1829.
6. Ibid., 2 May 1829; LBA, A206/31, Bond number 180.
7. KAO, U1453/B3/15/736, 31 January 1834, 5 February 1834.

only for a medium term, the following August it was further extended for another four months. Six months later it was still unpaid and was probably not paid until after May 1835.[1]

It is not known exactly what these funds were used for, but some of the reasons for the borrowing are mentioned in the correspondence. Major Garrett had property of some sort in the U.S.A. and all through 1828, 1829 and 1830 he was expecting a remittance of £2,000 from New York. The delay in this remittance appears to have been the occasion for the advance of £2,000 in 1827.[2] In 1830 he went to America to sort out his affairs and reported on his return home that,

> "I am happy to say I have settled my affairs in the States more satisfactorily than I at one time hoped for. I have given an extended period for the payment of the principal now due, and have got ample security for the performance of the same, which is to be paid by instalments of not less than 3,000 dollars a year with the annual interest also due on the unpaid principal - and for the arrears of interest up to June last I have taken a large valuable tract of land in the State of Ohio, the chief point of conjunction for the numerous settlers from its fertility of soil, and salubrity of climate - and 12 miles only from a canal which communicates with Lake Erie on the North and the Rivers Ohio and Mississippi on the South, and is also the same distance (12 miles) from Columbus, the seat of Government of the State."[3]

Nevertheless, delays continued to occur. The occasion for the loan of £250 in 1834, for instance, was that Garrett's agent in New York had died the previous October. This delayed the payment of over £1,000 of interest for 1833.[4] In April 1835, Garrett stated that as much as 9,000 dollars due to him from New Jersey remained uncollected,

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1. KAO, U1453/B3/15/736, 18 July 1834, 6 August 1834, 18 February 1835, 8 April 1835, 7 May 1835.

2. Ibid., 7 May 1827, 15 January 1828, 17 December 1828, 2 May 1829, 12 May 1830.

3. Ibid., 16 December 1830.

4. Ibid., 31 January 1834.

and a further 6,067 dollars of rent due from Ohio had been delayed by his change of agent in New York.[1] The following September he reported that the arrears of interest from America "so long suspended" had been resumed with remittances of 2,000 dollars each from New Jersey and Ohio.[2]

In effect, through lending money to Major Garrett, Cobbs were helping to finance development in the United States, albeit to a greater extent than either Cobbs or Major Garrett really intended. There is no indication in the correspondence of what the money was used for, whether, for instance, it was used to help finance the farm, or was used to maintain a customary level of consumption. It can be said though, that if Major Garrett had not been able to raise funds from Cobbs he would have had less capital to invest in Updown Farm, either in fixed capital or working capital. Indeed, in 1835, Major Garrett said that if it was necessary to repay the £800 he would withdraw capital from Updown Farm.[3]

As a general rule, Cobb & Son probably only granted long term loans to agriculture with the greatest reluctance, and such evidence of long term loans that does exist suggests that these were initially intended to be short term. It has already been noted that Cobbs would not grant loans on mortgages in the 1820s.[4] Nevertheless, there is some evidence that Cobb & Son gave some assistance to customers

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1. KAO, U1453/B3/15/736, 7 May 1835.
2. Ibid., 16 September 1835.
3. Ibid., 5 July 1835.
4. See p.257 above. See also the case of Robert Ansell, cowkeeper on p.263 above.

purchasing farms. Michael Pett junior, for instance, who bought Acol farm in 1824, was granted a loan, probably for twelve months, to assist him over the period between the purchase of his new farm and the sale of his previous farm. In January 1825, he told Cobbs his farm had been sold. Payment, however, appears to have been greatly delayed as he asked for the loan of £150 to be extended for a few weeks.[1] This sum should have been repaid at Christmas 1824, but in January a fresh note was drawn up, payable on demand and signed by four members of the Pett family.

> We the undersigned promise to pay on demand the sum of one hundred and fifty pounds to Messrs Cobb Bank due to Messrs Cobb last Christmas 1824
>
> Michl Pett jr.<br>
> Wm Pett<br>
> John Pett<br>
> Michl Pett."[2]

It is not completely clear from the correspondence when this loan was repaid, but a letter of October 1826 asks for a loan of £100 to be extended for a further twelve months.[3] £100 was finally paid off on 15 September 1827.[4] That the sale should have been so protracted[5] might well be due in part to the legal complexities of the period, but the financial crisis at the end of 1825 is a second likely factor.

A rather more serious lock up of funds resulting from advances to a landowner occurred in the last decade of the eighteenth century. This was through the account of William Breton who took up residence at Stone House near Broadstairs in 1788.[6] Breton appeared to be a

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1. KAO, U1453/B3/15/1483, 6 January 1825.
2. Ibid., 11 January 1825.
3. Ibid.
4. Ibid., 15 September 1827.
5. Ibid., 9 July 1827.
6. Ibid., U1453/B3/15/225, 3 March 1788.

man of some property with, besides Stone House, £7,000 invested in a mortgage on some Irish estates belonging to Lord Charlemont, and at least an income of between £600 and £700 a year which he received in London.[1] A letter of 1790 suggests that his account had hardly ever been in credit up to that time, for, at the same time as apologising for having withdrawn all the funds in his account he added that

> "hitherto it cannot be said you have been my banker but I hope to be a better customer soon."[2]

Cobbs appear to have agreed to pay any drafts that Breton presented as in the same year he asked that all his drafts should be paid at Esdailes in the same way that they were in Margate.

> "I shall leave Childs shop as Esdailes will be more convenient on account of his Connection with you - If you prefer trusting to my not overdrawing you without permission there will be no occasion to open an acct. with Esdaile and I will order all I receive in London to be paid into Esdailes to your account, but in that case you must give orders to Esdailes to answer all my Drafts there at his shop as you will do at yours."[3]

This appears to have been a factor in the building up of Breton's debt to Cobbs, which by January 1793 was over £2,000 and twelve months later exceeded £3,000.[4] In 1800 Breton spoke of Cobbs having advanced him £8,050 on drafts which had "stood some time as a book debt".[5] Breton held separate farm and private accounts, and that some of the money advanced was invested in agriculture is suggested by a reference

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1. KAO, U1453/B3/15/225, 3 July 1800, 17 December 1790.

2. Ibid., 15 October 1790.

3. Ibid., 17 December 1790.

4. Ibid., 4 January 1793, 15 January 1794.

5. Ibid., 3 July 1800.

in 1794 to both the farm account and his private account being overdrawn.[1] Nevertheless, the correspondence suggests that Breton's problem was primarily one of being unable to live within his means. Several winters were spent in Brussels while later letters in 1793 and 1794 explained how he intended to reduce his expenditure while in London; to £90 a month in January 1793, while in February 1794 he promised to draw no drafts on Cobbs other than for basic necessities, although at the same time he said he would require 70 Guineas at the beginning of March.[2] Other attempts at reducing expenses and reducing the accumulation of debt included moving to what were expected to be cheaper parts of the country such as Wales in 1793 and 1794, and 'New South End' in Essex, also in 1794.[3]

At least as early as January 1794 Cobbs were pressing for the repayment of £3,000. Breton hoped to raise the money from three or four friends, or, by applying to two solicitors through whom he presumably hoped to raise funds on a mortgage.[4] There is no evidence that these attempts were at all successful and the following March there was a further attempt to raise funds by offering Stone House for sale. This was again unsuccessful as there were no willing purchasers given the wartime conditions.[5] Nevertheless, Cobbs seem to have been prepared to allow the debt to accumulate to a figure greater than £8,000, presumably in the belief that Breton was a man of sufficient property that he would be able to pay eventually.

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1. KAO, U1453/B3/15/225, 23 December 1794.
2. Ibid., 4 January 1793, 21 February 1794.
3. Ibid., 4 January 1793, 30 March 1794, 10 June 1794.
4. Ibid., 15 January 1794.
5. Ibid., 30 March 1794.

Most of his fortune was subject to a strict settlement but this still left the £7,000 mortgage on Lord Charlemont's estates. Cobbs tried to procure repayment of the loan by an assignment of the mortgage to their relation Robert Curling, at least as early as 1798, but this proved to be more difficult than had been anticipated.[1] The full amount of the mortgage was £10,000, but £3,000 of it was advanced to Breton by his solicitor, Mr. Claridge, who then took the mortgage deeds as a security for the loan. Before the mortgage could be assigned some arrangement had to be made to pay off Claridge. This protracted the proceedings so that temporarily, Breton was required to sign a bond for £7,000 in which he promised to transfer the mortgage as soon as he possessed it. Six months before the bond was due to expire, Cobb & Son arranged for the mortgage to be assigned to themselves without reference to the deeds in Claridge's possession.[2] This gave the Margate Bank better security for the debt but did not immediately secure its repayment. Lord Charlemont was supposed to have arranged for the repayment of the mortgage by creating a sinking fund out of the rents, but in 1798 he had no means of paying it off "except the common one, tho' not practical - of raising a fresh mortgage" as no surplus rents had been appropriated to create a fund.[3] By March 1801 the mortgage was already overdue for repayment by three years and Breton still had not repaid an advance of £1,050. Arrangements were,

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1. KAO, U1453/B3/15/2044, 3 March 1798.

2. Ibid., U1453/B3/15/225, 3 July 1800.

3. Ibid., 15 July 1800; U1453/B3/15/2044, 29 March 1798.

however, made for the latter sum to be paid off in June 1802, and the mortgage to be paid off in three instalments with the final payment on 25 September 1802.[1]

Despite John Cramp's testimony before Parliamentary committees as to the difficulties farmers faced in raising loans from country banks, there is evidence that he received two long term advances on bond from the Margate Bank. The first was for £500 and dated February 1822, a difficult time for farmers facing low prices. The bond was also signed by Peter Cramp and paid off in instalments; £250 in 1822, £132 in 1830 and £118 in 1835. The second bond, signed by John Cramp, Peter Cramp and John Tomlin Cramp, was for £400 and dated February 1824, a relatively optimistic time in agriculture. It was not paid off, however, until November 1835.[2] It is not known whether Cobb & Son had originally intended that this advance should be quite so long term; but Cramp was quite possibly a particularly favoured customer having assisted Cobbs through the difficult years of 1811, 1814 and 1815 by depositing £1,000 in the bank on a mortgage.[3]

Cobb & Son's combined business activities as bankers and brewers may have encouraged their lending to local barley growers; it also brought them into contact with hop planters, who, in some cases, similarly received financial assistance from the Margate Bank. Hops were notoriously speculative and risky, and for this reason it might have been expected that they would be shunned by bankers. The reason for the speculative character of the trade was the great unreliability of the crop which

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1. KAO, U1453/B3/15/225, 11 May 1801, 16 June 1801.

2. LBA, A20b/31, Bond Nos. 138 and 148.

3. LBA, A20 b/12, General Cash Statements.

caused large variations in the supply of hops coming on to the market and dramatic changes in price. "The produce of the hop", said D. Low in 1847, "is more variable than that of any other crop. It is frequently nearly a failure."[1] Contemporary observers always stressed the uncertainty of hops, an uncertainty that was greater than for any other crop grown in England. The most frequent cause of failure was the plant's defencelessness against the ravages of insects and diseases such as the mould, but the crop could also be ruined if there were heavy rains at harvest time, or if there were strong winds which could cause havoc among the hop poles and bines. One year where high expectations of a good crop were completely reversed was 1802. A good harvest was anticipated, in the Spring, but within a few months the hop-gardens were attacked "by the fly and other vermin". The situation was made worse by an unusually cold and wet season which completely stopped the growth of the plant in many gardens so that as early as July it was said that;

> "Many hundreds of acres of the plantations are so completely ruined, that the planters have already stacked the poles: and it is now thought, one half of the ground will not be worth picking."[2]

So speculative was the trade that, according to Professor Mathias,

> "The situation had been capitalised into a formal annual sweepstake by a nation of inveterate gamblers... Odds were quoted at every inn throughout the hop-growing or hop-marketing regions, [as to the probable yield of the annual harvest], over which large amounts of money changed hands."[3]

The other important feature of the hop trade was its high demand

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1. D. Low, Elements of Practical Agriculture (5th ed. 1847), p. 464.

2. KAO, U1453/B2/609, 30 July 1802.

3. P. Mathias, The Brewing in Industry in England, 1700-1785 (1959) p. 504.

for capital. Capital was required for the purchase of the bines and poles, and working capital for such labour intensive activities as weeding, picking and the frequent spreading of manure; while there were also large sums to be paid in duty to the excise. The Select Committee on Hop Duties of 1857 found that many planters had come to rely on hop factors and merchants for loans, often pledging each season's produce in advance as security for a loan. This was most common in the Weald of Kent and Sussex where most planters were of relatively modest resources. It was also common in Farnham and Herefordshire and Worcestershire. Loans were less common in East Kent as the farmers had greater resources and financial independence.[1] East Kent planters were also assisted by the fact that Canterbury factors generally paid in cash at harvest time. Some of the Margate brewery's suppliers were undoubtedly wealthy, such as the Godfreys of Ash who were able to give six months' credit and supply the Margate Bank with a loan of £1,000 when it was in difficulties in 1811,[2] but there are at least three examples of the Margate Bank giving assistance to hop growers.

James Finch Kite of Upper Hardres near Canterbury received a loan of £150 in December 1824 for which he offered any security Cobbs might wish to take. The period of the loan and whether or not it was renewed is unknown for there is a long gap in the correspondence until 1831. During October that year he asked for the extension of a loan for another year. From the correspondence of the following April it seems that this was a loan for £150. Cobbs had engaged to take that year's hops and Kite promised to repay what he could of the loan out of the proceeds,

1. BPP, Minutes of Evidence, Select Committee on Hop Duties, 1857, vol. XIV, QQ. 1883-94, 3870, 3876.

2. KAO, U1453/B2/40/254, 14 October 1811; LBA, A20 b/12.

adding that he fully agreed "to this arrangement of making you the first offer, and whosoever may be the purchaser to apply as much of the proceeds to the debt". However, in December 1832, he had to apologise for having already spent some of the proceeds and having assigned the whole of the growth of his hops for the following year to a Mr. Dowsett.[1]

The second example of lending to a hop grower is to a farmer on the Weald of Kent, John Leach of Boughton House, near Maidstone. The earliest reference to a loan is one for £300 in October 1810.[2] The next reference to a loan is in April 1815.[3] This was for £600 on the security of a bill of exchange lodged at the Margate Bank by two gentlemen of Minster, R.P. Horne and Ambrose Collard.[4] This was probably for Leach to purchase the lease of a farm, for in the following June he wrote to Cobbs to point out that

> "Having taken a large concern and being deceived as to the capital it would require which has placed me rather awkwardly for these two months to come but to obviate and do away with all difficulty, I give up one farm to my brother in law at Michaelmas next which throws me into sufficient capital."

He continued by requesting further assistance;

> "Your last kind assistance was temporary therefore I am under the necessity of making this application for the loan of three hundred and fifty pounds for two months; or if the money is inconvenient: that I may be allow'd to draw on you for that sum at two months; and I pledge my Word of Honour to pay you that sum before the two months expires, giving you a promissory Note payable at my Hop Factors in London."[5]

Cobbs complied with the rest, taking as security a note of hand endorsed by Leach's landlord.[6] Unfortunately, Leach was unable to

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1. KAO, U1453/B2/40/356.
2. Ibid., U1453/B3/15/1156, 28 October 1810.
3. Ibid., 4 April 1815.
4. Ibid., U1453/B3/15/986.
5. Ibid., U1453/B3/15/1156, 23 June 1815.
6. Ibid , 23 October 1815.

repay the advance when due, having been "disappointed in a payment", a common problem in the difficult year of 1815, although in September he said he was "hurrying up hops sufficient to cover it".[1] The following month he was approaching bankruptcy and had put his affairs before his creditors, which were said to be in a "bad state".[2] His landlord, Rev. Sir John Head, was approached in the hope that he would pay the balance of the bill, but Cobbs were forced to wait for their money as Head explained that,

> "I became security for Mr Leach to a large amount when he took my farm only at Lady Day last, and had I not providentially had an assignment of his effects at that time, I should have been a great sufferer indeed."[3]

At the same time he reported that three of his principal tythe holders in Essex had fled "leaving executions in their homes", so that the promissory note was not paid off until January 1816.[4]

The third hop grower who is known to have borrowed from Cobbs was Sir Edward Hales of Hales Place near Canterbury. He borrowed an unknown quantity on a mortgage which was first referred to in a letter of February 1797. This was at the time of the suspension of cash payments by the Bank of England and was in response to a demand for repayment.

> "I could not have a greater pleasure and satisfaction than to clear my debt to you but if you would give yourself a moment's consideration on the matter you must of course know that the same difficulty you find getting money at this time is absolutely my case and of hundreds more at present.... My hopps and hay I let you have it when I was myself in the greatest want of it for my rents being stoped at that time I found myself in great distress as that money was always keeped to pay my tradesmen."[5]

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1. <u>KAO</u>, U1453/B3/15/1156, 21 August 1815, 6 September 1815.
2. <u>Ibid</u>., U1453/B3/15/916, 19 October 1815.
3. <u>Ibid</u>., 23 October 1815.
4. <u>Ibid</u>., 8 November 1815, 3 January 1816.
5. <u>Ibid</u>., 16 February 1797.

In a subsequent letter he referred to other pressing debts, including one to Mr. Gipps, the Canterbury banker, who had advanced money on his hops.[1] When the mortgage was finally paid off is not known. The next letter, of December 1797, spoke hopefully of arrangements for it to be repaid, and the final letter, of July 1800, merely asked for a statement of the account and announced his intention to sell some land at Canterbury to the Government to build a barracks.[2]

It would appear that a general willingness on the part of country bankers to lend to agriculture in the period of rising agricultural prices in the few decades leading up to 1815 was replaced by a much greater reluctance after the war when agricultural prices were much lower and, in the case of grain in particular, fell much further than the general level of prices. In many areas country banks were said to have stopped lending to agriculture in 1815, although there seems to have been a period of renewed lending in the early 1820s, finally curtailed by the crisis of 1825. This curtailment of lending was, however, neither universal nor total for evidence can be found for Cobbs and other banks of lending to agriculture throughout the 1820s and 30s although there is some suggestion that this might have been on a diminished scale and the granting of new loans may have come to a temporary halt in 1825-6. The period of the loans was generally short, usually four months or less, although in exceptional cases they would be granted for eight to twelve months. Any long term mortgages

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1. KAO, U1453/B3/15/916, 11 September 1797.

2. Ibid., 18 December 1797, 29 July 1800.

Cobbs may have held in the eighteenth century largely seem to have disappeared by the 1820s when Cobbs' were refusing to lend on mortgage. Most of Cobbs lending to agriculture at this time was intended to be short term to overcome temporary or seasonal difficulties. Even so, some borrowers found it fairly easy to have loans renewed, while in other cases Cobbs simply had to wait until borrowers could accumulate sufficient funds to repay their debts.

## CHAPTER 8

### Millers, Corn Merchants and Hoymen

Agricultural historians have generally neglected such important related trades as corn milling and the marketing of agricultural produce.[1] This is surprising since it is likely that many middlemen played an important financial role. Evidence from the 1950s shows that credit from merchants was more important at that time than loans from banks as a source of seasonal finance for farmers.[2] This function needs to be remembered when considering bank loans to middlemen. That these people were performing similar functions in the late eighteenth and early nineteenth centuries is suggested by the Cobb records which show that they discounted bills for farmers; acted as guarantors and accepted accommodation bills.

It has already been noted that the Sandwich hoyman, Thomas Hoile accepted an accommodation bill for John Mockett.[3] It was common for the functions of corn dealer and hoyman to be combined in north Kent, and these men may have played an important part in agricultural finance. At least one firm, Tappendens of Faversham, opened a bank.[4] The evidence suggests

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1. An account for the period before 1760 exists in, R.B. Westerfield, 'Middlemen in English Business, 1660-1760', Transactions of the Connecticut Academy of Arts and Sciences, vol. XIX, May 1915, pp. 111-445.

2. M. Marks, 'Measurement of agriculture's seasonal credit requirement', Farm Economist, vol. IX, 1958-61, pp. 449-56.

3. See pp. 307-8.

4. D.A. Baker, Agricultural Prices, Production and Marketing with special reference to the hop industry 1680-1760 in north east Kent, (Kent Ph.D., 1976), p. 344. The Tappenden family also had an ironworks at Aberdare in South Wales. See, L.S. Pressnell, Country Banking in the Industrial Revolution, (1956), pp. 308,342.

that Hoile also gave credit to Mockett, for in 1832, Hoile wrote that

> "had not the crop of 1831 been so very short I could have assisted Mr. M."[1]

There is stronger evidence that one of the Margate hoymen and corn dealers, Latham Osborn, regularly gave credit to farmers. In August 1831, Mockett referred to Osborn having cashed a bill for him for £48.10.0. In the following October he asked Cobbs to discount a bill for £154.15.0 (which they declined) so he could pay his rent, adding that it "would have been done by Mr. Osborn had he been at home".[2]

Milling and other agricultural trades must have undergone an expansion commensurate with the rise in population in the eighteenth and nineteenth centuries. In corn milling, expansion was primarily based on an extension of traditional technology. Some steam driven mills were built towards the end of the eighteenth century, the most famous being the Albion Mill Company at Blackfriars in London in 1786, although it was pre-dated by at least four other steam mills.[3] Nevertheless, the main impact of steam driven mills was delayed until after 1850 as installation and running costs made such mills uneconomic unless they were located in large urban centres and were able to trade on a large scale. Only sixteen steam mills are recorded as having been built in the eighteenth century.[4] Instead, much

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1. KAO, U1453/B3/15/967, 23 November 1832. According to E.L. Jones, however, there was a "fairly good harvest" in 1831. E.L. Jones, Seasons and Prices, (1964), p. 165.

2. Ibid., U1453/B3/15/1337, 30 August 1831, 7 October 1831.

3. R.A. Pelham, 'Corn Milling and the Industrial Revolution', University of Birmingham Historical Journal, vol. VI, 1958, p. 164.

4. M. Diane Freeman, A History of Corn Milling, c. 1750-1914, with special reference to south central and south eastern England, (Reading Ph.D., 1976), pp. 47-48.

of the increased capacity came from a better utilisation of existing mills and machinery by, for instance, increasing the number of days on which a mill was worked, by extending existing mills, by building new wind and water mills and, though probably only to a limited extent, by converting existing mills used for other purposes to the grinding of corn.[1] Since the bulk of the increased supply of grain had to be milled using traditional technology the number of mills increased substantially between 1750 and 1850. In Huntingdonshire the increase was 25.8 per cent. between 1750 and 1800, and 18 per cent. between 1800 and 1850. With regard to Kent, W.C. Finch has shown that there were 95 windmill sites in 1769 and 241 in 1850.[2] As traditional technology remained predominant, so the need for fixed capital remained relatively low. Insurance policies indicate that most post mills were worth between £200 and £500. Tower mills were more expensive, but only the largest cost between £1,000 and £2,000, while water mills were valued at up to £2,000, although the average was just over £1,000, at the end of the Napoleonic Wars.[3]

The major requirement of both millers and dealers was probably for short-term working capital rather than for fixed capital, and as such, would offer country bankers good opportunities for short term lending. Dr. Freeman though, claimed that there was little evidence to show that millers received many loans from banks, but that funds were more commonly borrowed from fellow traders. Where bankers granted loans to millers they were usually short term, she claimed, and private individuals were usually a more important source of funds than the country banks before 1850.[4]

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1. Freeman, op.cit., pp. 40-52.
2. Ibid., p. 47; W.C. Finch, Watermills and Windmills (1933) pp. 138-9.
3. Freeman, op.cit., p. 308. M.J. Orbell, The Corn Milling Industry in the Industrial Revolution, 1750-1830, (Nottingham Ph.D., 1977), pp. 217-252.
4. Freeman, op. cit., pp.313-318.

It should be pointed out, though, that it is very easy to underestimate the importance of bank finance, if much of the lending took the form of the discount of bills. Such discounts would merely appear as cash in the ledgers. As yet, only a small volume of evidence has been collected of lending to the corn trades. The Beverley branch of the East Riding Bank is known to have granted loans to corn factors. The evidence relates to three firms of factors, one of which borrowed short term and for small amounts while the other two borrowed for longer terms and more substantial amounts. One of the latter firms was Messrs. John & Thomas Lee who were £1,619 in debit in June 1808. They returned to credit at the end of 1809 when borrowing resumed with £2,142 due, which then increased to £5,568 in June 1811.[1]

In 1819, Stuckey mentioned having done business with millers and corn dealers, although he was primarily concerned with the circulation of notes, rather than advances. He explained that cattle and corn dealers would sell produce in London, pay the proceeds into his bank's London agents and then withdraw their money in the country in Stuckey's bank notes. Millers, he said, were of great use to a country banker in circulating country bank notes as they would bring in the notes they received and exchange them for the local country banker's notes. He further added that he would discount "now and then" but that discounts were not very common in a country district.[2]

Gilletts of Banbury are known to have advanced money to millers. In 1822, just before the Gibbons & Gillett partnership was set up, there were only five loans on the banks' books that were larger than £400, and

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1. Pressnell, op.cit., p. 360.

2. BPP, Minutes of Evidence, Select Committee on Resumption, HC 1819, HC, vol. III, pp. 244-245.

one of these was granted to a miller. (The others were given to a firm of woolstaplers, a physician, a livestock dealer, and a farmer who also ran a carrier's business.)[1] Later, in the crisis of 1847, a miller was among twelve customers, many of whom had kept accounts with the bank for a long time and had overdrafts exceeding £1,500, that Gilletts were putting pressure on in the hope that they might improve their accounts.[2]

1847 was a year of crisis in the grain trade. Severe shortages at the end of 1846 sent the price of wheat soaring and led to much speculation. As imports began to arrive in the Summer of 1847 prices fell even more rapidly, and the consquent difficulties in the trade, together with the collapse of railway speculation, were the principal factors behind the general crisis of 1847.[3] According to Gilbart, the subsequent failures in the corn trade had serious repercussions for several banks. Two banks in Newcastle-upon-Tyne sustained great losses through advances to corn merchants, and the stoppage of the corn factors, Messrs. Lesley, Alexander & Co. was the cause of the stoppage of Messrs. Sanderson & Co., the bill-brokers.[4] At the same time Gilbart explained how "speculations in corn" were financed. This was mostly by the use of bills rather than the use of loans.

> "A merchant buys a quantity of corn, and places it in the hands of a factor, and draws bills [on the factor] for something under the market value, leaving the factor a margin to guard against loss. He gets these bills discounted, buys more corn, which he also places in the

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1. A.M. Taylor, Gilletts, bankers at Banbury and Oxford, (1964), p. 26.

2. Ibid., pp. 112-113.

3. J.W. Gilbart, The History, Principles and Practice of Banking (revised ed., 1882), vol. I, p. 333; J. Clapham, The Bank of England, (1944), vol. II, pp. 197-199.

4. Gilbart, op.cit., p. 427.

> hands of his factor, and then draws fresh bills. This second batch of bills he also gets discounted, and buys more corn; and thus he goes on in the same course. Now if he thinks the market will rise (as all speculators do), he will not allow his factor to sell the corn; but when the first bills fall due he will renew them, and with the produce of the new bills, when discounted, he will then pay the old ones. It is thus that a large speculation may be carried on with a small capital (and that may be borrowed from the bank), and all the speculation is kept afloat by bills. These bills are always for large amounts, and when the parties fail the losses are usually heavy."[1]

The earliest evidence of Cobb & Son having granted credit to corn millers, dealers and other agricultural merchants is for the years 1787 and 1788. Their lending to these sectors appears to have been at its most extensive in these years in terms of the number of customers and their geographical spread. It was, though, relatively short-lived and took on some speculative characteristics. In contrast with 1847, however, the price of wheat, expressed as an annual average, continued to rise from 1786 to 1790.[2] It is possible that these annual figures mask considerable variations within the years concerned and regional variations, but it seems that the main cause of the financial difficulties of these years was a crisis over accommodation paper. Relatively little is known about the crisis of 1788 and indeed Clapham hardly mentions it.

The general price level rose from the end of 1786 to reach a peak at the end of 1787, thereafter declining until the beginning of 1790. The worst period for bankruptcies came in the second and third quarters

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1. Gilbart, op.cit., p. 427. In Thomas Hardy's novel, 'The Mayor of Casterbridge', the corn merchant hero of the novel, Michael Henchard, suffered a financial collapse after making considerable speculative purchases. His principal creditor was his local country bank.

2. B.R. Mitchell & P. Deane, Abstract of British Historical Statistics, (1962), p. 488; J.D. Chambers & G.E. Mingay, The Agricultural Revolution, 1750-1880, (1966), pp. 109-112.

of 1788 with the centre of the crisis occurring in the cotton industry. Much of the preceding expansion in the cotton industry had been financed by the use of accommodation bills, the most notorious case being that of Livesey, Hargreaves & Co. who collapsed in June 1788.[1] The crisis was not confined to cotton, or Lancashire and London, as bankruptcies occurred in many parts of the country. The distillers of Scotland are known to have been using accommodation bills in 1786 and 1787, and it was reported that most of the corn dealers and distillers failed in February and March 1788.[2]

Similar developments were taking place in the grain and wool trades of north-east Kent in these years. At the same time Cobb & Son were trying to expand their banking business by employing agents in Canterbury and Sandwich to discount bills and circulate their notes. Added to this there was a strong competitive element between the east Kent banks. In March 1787, for instance, Cobbs received notice that the Dover bank of Fector & Co., with Mr. Simmons, were planning to open a "banking office" in Canterbury in response to the great circulation of Cobbs' "bills" in that area.[3] (This was probably the Mr. Simmons of the bank founded in Canterbury in 1788 known as Gipps, Simmons & Gipps. Similarly, Cobbs' notes were being circulated in Sandwich by a Mr. Emmerson. This could be the Emmerson of the Sandwich bank founded in 1800.[4])

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1. Pressnell, op.cit., pp. 453-455; J.K. Horsefield, 'Gibson & Johnson: A Forgotten Cause Celebre', Economica, August 1943; E.J.T. Acaster, 'Partners in Peril: The Genesis of Banking in Manchester,' Three Banks Review, No. 138, June 1983, pp. 50-60.

2. S.G. Checkland, Scottish Banking, A History, 1695-1973, (1975), pp. 217-8; C.W. Boase, A Century of Banking in Dundee, (Edinburgh, 1867), p. 154.

3. KAO, U1453/B3/15/624, 30 March 1787.

4. Ibid., U1453/B3/14/6, U1453/B3/14/21; Bankers' Almanac and Year Book, pp. G1051, G1055.

This information was received from a William Epps of a firm known as Epps Cheavele & Calloway of Canterbury. In the late 1780s they were dealing in the wholesale wool trade, although Cheavele was also a linen draper[1] and there is evidence of a Mr. Epps dealing in hops in the 1790s.[2] In 1781, John Calloway was described as a silk weaver and mercer, a description that was repeated in the Canterbury directory of 1809. This latter directory also contained entries for John Cheavele, a woolstapler of St. Peter's Street and J. Cheavele a worsted manufacturer in the same street.[3] William Epps had been passing bills to Cobbs for discount since January 1787. In view of the intensified competition of the Dover bank he added:

> "I therefore presume you will see the necessity you will be under of Establishing a regular office in Canterbury otherwise they will have a decided advantage over you as they will discount Bills on the spot whereas yours cannot be done till the return of the post from Margate."

He then demanded the power to discount bills without having to wait for Cobbs' approval.[4]

Epps continued to discount bills for Cobbs until May, including one that was clearly an accommodation bill as he described it as being "a dealing between the two parties for which the Drawer wishes to have the money for present use".[5] Epps & Co. themselves made use of the facilities offered by Cobbs for discounts and for borrowing on promissory notes. In May 1787, Epps & Co. were asking for the renewal of a note for £600 for

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1. KAO, U1453/B3/15/1286, 21 June 1787.
2. Ibid., 26 February 1790.
3. The Kentish Gazette, 9-12 May 1781, p. 1; Gentleman's Magazine, LXXVII, (July-December 1807), p. 782; Holden's Directory for 1809-11, p. 91.
4. KAO, U1453/B3/15/624, 30 March 1787.
5. Ibid., 12 April 1787.

two months, explaining that it was impossible to send his goods quickly enough to market to meet it. In the same letter he asked Cobbs to discount two further notes; one for £250 and a second one described as "my note to Mr. Stiff".[1] A few weeks later, on 16 May, Cobbs were asked "to indulge" Mr. Cheavele for whatever sums he might require for the following three months.[2]

Unfortunately for Epps & Co. this request was made just when Cobb & Son began to curtail seriously the level of their discounts. Esdailes had been voicing concern over the quality of some of the paper Cobbs were remitting them, particularly the accommodation paper, from January 1787. On the same day as Epps made the latter request, Esdailes had threatened to cease paying Cobbs' notes unless steps were taken to improve their London balance. Epps had expected some curtailment of discounts but had not expected that such a reduction would extend to his own firm. He consequently had not adjusted his business accordingly and was put in an illiquid position with two or three bills about to fall due, but no cash with which to pay them.[3] Epps & Co. had been relying on discounts by Cobbs to extend their wool business. In March 1787 for instance, they had written;

> "An unexpected bargain has fell in our way which puts us to the necessity of requesting a discount of the enclosed."[4]

On 17 May when Cobbs stopped discounting altogether they further explained the encouragement that Cobbs' discounts had given them to extend

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1. KAO, loc.cit., 1 May 1787.
2. Ibid., 16 May 1787.
3. Ibid., 17 May 1787. See pp. 149-54 above.
4. Ibid., 17 March 1787; see also 22 February 1787.

their trade;

> "We have entered very largely into a Trade on account of those resources - much farther than we should have done had we not suppos'd them to be permanent and have at this time a stock of wool worth £2,000 and I can venture to say so regularly with the farmers that in 3 months time our credit would have stood the test of the strictest enquiry."[1]

Epps & Co. were able to survive this temporary setback in their affairs. Cobbs were still refusing to discount for them on 25 May,[2] but Epps & Co. were assisted through this period by their staplers in London who permitted Epps & Co. to draw on them before consignments of wool were actually delivered in London.[3] Epps & Co. were also quite confident that they would be able to improve their position by sending their wool more expeditiously to market.[4] This may have been over-optimistic. According to figures collected by Mitchell & Deane, the price of wool was relatively high throughout the late 1780s, and the price of Southdown wool continued to rise throughout the 1780s and was not checked until 1792. Nevertheless, the price of Kent long wool fell from a peak of 9½d. per pound in 1787 to 9d. in 1788 and 8½d. in 1789, returning to 9½d. the following year. Although these prices were still higher than those before 1786, any quick sale of such wool must have resulted in losses.[5] In March 1788, Epps & Co. were complaining that the market was uncertain and they expressed a

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1. KAO, loc.cit., 17 May 1787,
2. Ibid., U1453/B3/15/1286, 25 May 1787.
3. Ibid., U1453/B3/15/624, 17 May 1787(A).
4. Ibid., 17 May 1787(B).
5. Mitchell & Deane, op.cit., p. 495.

hope that Cobbs would not "press us to sell should it be to a disadvantage".[1]

Epps & Co. were given further assistance over the crisis by Cobbs granting them extra time to pay bills that came due. Cobbs received many requests for extra time. In June, for instance, Epps & Co. were due to pay the sum of £600 but were without the cash to pay it. Instead they offered Cobbs two drafts on London, one at six weeks and the other at ten weeks.[2] There is no clear evidence that these proposals were acceded to, but the fact that Epps & Co. emerged from the crisis unscathed suggests that they were. Fresh discounting recommenced in May 1788 but was restricted to bills that Esdailes would approve, that is, bills on good London houses for wool sold.[3] There is little evidence that much business was done and the last letter from Epps is dated August 1788. This may be due to the opening of two banks in Canterbury that year (Gipps, Simmons & Gipps, and Hammond & Co.) who probably took over a good deal of the business that Cobbs had formerly done in the town.

Cobbs had a second agent in Canterbury, in the 1780s, John Matthews. Matthews was a builder and surveyor who is known to have been concerned with the building of the Theatre Royal in Margate and a malthouse for Cobbs in 1787, a bridge at Fordwich in 1795, and to have submitted plans for the Margate General Sea Bathing Infirmary in 1792.[4] It is not possible to identify all the customers Matthews brought to the Margate Bank, but

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1. KAO, U1453/B3/15/624, 8 March 1788.

2. Ibid., U1453/B3/15/1286, 8 June 1787; see also U1453/B3/15/624, 20 August 1787, 9 October 1787, 5 November 1787.

3. Ibid., 9 May 1788, 19 June 1788.

4. Ibid., U1453/B3/15/1286, 21 June 1787, 28 March 1787, 27 May 1794, 24 July 1795: Ibid., The Original Minutes of the Margate Infirmary, 1791-3, 13 April 1792, 4 May 1792, 18 May 1792.

they included Sir Edward Hales,[1] Stiff, Pettit & Epps who were in the hop trade and sent a bill for discount in 1790,[2] William Rowe, a wine merchant of Dover,[3] and a Mr. C. Austin who was engaged in the brick and lime trades. Austin is likely to have supplied lime to farmers of clay soils around Canterbury to improve their texture and drainage. Cobbs are known to have discounted bills for Austin for £100 and £120 in 1787, and they were among his creditors when he stopped payment in June 1790.[4]

Cobbs' agent in Sandwich in this period, Josiah Stewart, was a merchant dealing in a wide variety of goods. As such, his business with Cobbs went back to at least 1780 and there are references to dealings in hops, currants, plums, pimentos, rum, brandy and apples.[5] It is not clear to what extent Cobb & Son were providing funds for Stewart's own business, but there is evidence for at least one of his own bills being discounted by Cobbs.[6] The importance of Cobb & Son's providing a supply of cash through Stewart to the Sandwich tradesmen and dealers in agricultural produce is illustrated by a letter of complaint from Thomas Jull of Ash. Jull was supplied with Margate Bank notes on numerous occasions in 1788, usually against bills of a short date, three days' sight, on the Albion Mill Company (the steam millers) of London.[7] At the beginning of October 1788, Mr. Jull, in the normal course of his business, called on Stewart

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1. KAO, U1453/B3/1286, 22 January 1787, 15 April 1790. See pp. 320-1 above.

2. Ibid., 26 February 1790.

3. Ibid., 13 May 1787.

4. Ibid., 9 July 1787, 20 February 1787, 10 June 1790.

5. Ibid., U1453/B3/15/1861, 11 March 1781, 18 October 1782, 11 December 1782, 30 April 1787; U1453/B3/15/1081, 3 October 1788.

6. Ibid., 31 July 1782.

7. Ibid., e.g. 30 January 1788, 21 February 1788, 16 May 1788, 5 June 1788.

and "expressed a wish to take all the Margate notes he had" in exchange for a bill at three days sight. To his surprise he was refused, and, he added;

> "I find people are gone home much dissatisfied as hardly any have been paid for the apples they have delivered today."[1]

As with Epps, Cheavele & Calloway, some of the bills that passed through Stewart's hands were accommodation bills. In early April 1787, he reported that a Mr. Hague had been declared bankrupt in the London Gazette, and in the following month he was examining Mr. Hague's affairs on behalf of Cobb & Son.[2] Hague was described in the notice of his bankruptcy as a merchant of Fenchurch Street, London,[3] and was a party to a complicated chain of accommodation bills linked to the corn milling firm of Rush & Tolson, otherwise known as the Fordwich Company.

The Fordwich Company was probably a large water mill on the river Stour near Canterbury, and is known to have consisted of a "Manufactory, Buildings, Horses, Waggons" and lighters.[4] It may also have been used for the manufacture of soap as there are several references to the payment of Soap Duty.[5] Trade directories of the 1830s describe the villages of Sturry and Fordwich as containing "extensive flour mills" which were "the principal business of the inhabitants".[6] The Company also seems to have

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1. KAO, U1453/B3/15/1081, 3 October 1788.
2. Ibid., U1453/B3/15/1861, 8 April 1787, 30 April 1787, 1 May 1787.
3. The Kentish Gazette, 6 April to the 10 April 1787, p. 3.
4. KAO, U1453/B3/15/1169, 14 March 1789.
5. Ibid., U1453/B3/15/1658, 13 March 1787 (2 letters, one from C. Rush the other from R. Le Grand.
6. Pigot & Co.'s Directory, 1833-4, p. 778.

owned at least one ship which in February 1787 was "expected with coals the first fair wind".[1] In addition to all these activities it was buying wheat for export. 1787 was a year of considerable corn exports[2] and in the January of that year Tolson was purchasing wheat "largely for Hambro".[3]

At Hague's bankruptcy, his list of debts to the Fordwich Company were £1,520, to Messrs Cobb & Taylor £2,000 (Mr. Taylor's identity is unknown) and £850 to Mr. Stewart.[4] Other parties to these bills included Robert Le Grand of Guilton near Ash and one James Moody. Bills were drawn by and on these different people and discounted by Cobbs so that the Fordwich Company could buy wheat. A typical transaction is illustrated by a letter from Charles Rush to Le Grand in February 1787 in which was enclosed a draft on Tolson at 30 days payable to Le Grand's order, and a second draft on a London banker. Of the first, Rush said,

> "I wish Cobb to discount and send his Draft on Esdaile at 20 days. Also a Draft of Moody's on Biddulph Cocks & Co. at fifteen days for which we beg Cobbs notes deducting the Discount for the whole to pay for Wheat tomorrow."[5]

Similarly, in April 1787, Charles Rush was writing to Cobbs for a supply of cash,

> "We are again under the necessity of applying to you for your notes to enable us to pay for Wheat at Sandwich this day and hope you will favor us with them to the amount of the inclosed Draft."[6]

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1. KAO, U1453/B3/15/1169, 16 February 1787.
2. Mitchell & Deane, op.cit., p. 94.
3. KAO, U1453/B3/15/1658, 9 January 1787.
4. KAO, U1453/B3/15/1861, 1 May 1787.
5. Ibid., U1453/B3/15/1169, 16 February 1787.
6. Ibid., U1453/B3/15/1658, 11 April 1787.

By this time Cobb & Son had already received cautionary advice from Esdailes about the accommodation paper of Rush, Tolson and Hague.[1] On 22 March 1787 for instance, Esdailes had written;

> "We can't help mentioning again the paper you take of Rush on Tolson and think if you don't act very cautious you may in the end be great sufferers."[2]

Cobbs had already put some pressure on the Fordwich Company and informed them of Esdailes' disapproval of their paper. A special plea was therefore required;

> "Mr. Le Grand was here last night and endorsed the Draft and joins in our request upon this occasion... As this matter will bear hard upon us we hope you will afford us some support for a short time when we make no doubt from our resources will make us rub through this unlucky business as it is only time we want."[3]

Rush and Tolson finally collapsed in June 1788 when a private creditor put an execution in the house and the Crown issued an Extent in Aid.[4] Cobb & Son were the largest of the remaining creditors and for this reason the other creditors asked Rush to apply to Cobbs for a "Letter of Licence for three years".[5] It is not known whether this was granted nor whether a later request from Rush, who by 1789 was in Calais, for further assistance was granted. The latter was for the Fordwich Company to be restarted with Cobbs' acceptances to the extent of £1,000.[6] Le Grand was given some help to stay in business for in March 1789 he was expecting the arrival of a

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1. <u>KAO</u>, U1453/B3/14/7, 22 March 1787, 3 April 1787, 7 April 1787.
2. <u>Ibid</u>., 22 March 1787. See pp. 149-54 above.
3. <u>Ibid</u>., U1453/B3/15/1658, 11 April 1787.
4. <u>Ibid</u>., U1453/B3/15/1156, 22 June 1788; U1453/B3/15/1660, 14 July 1788.
5. <u>Ibid</u>., 14 July 1787.
6. <u>Ibid</u>., U1453/B3/15/1169, 14 March 1789.

hoy with five weeks supply of corn, but by 1791 all his property had been assigned to Cobbs.[1]

Cobb & Son's associations with the milling trade lasted for many years, notwithstanding their experiences of 1787 and 1788. In the 1780s there may even have been a partnership connection with the famous Margate miller and innovator, Captain Stephen Hooper. There are letters in the Cobb collection of 1781, (before the bank was established), concerning such matters as the presenting of bills for acceptance and letters of credit, addressed to "Messrs. Cobb & Hooper".[2] Later, in 1786, The Kentish Gazette carried an advertisement for the sale of materials from a ship, the 'Haabet', directing readers to enquire of "Messrs. Cobb, Hooper & Co.".[3]

Captain Stephen Hooper was a notable innovator in windmill design. One of his innovations was the 'rolling reefing sail' of 1789 which was an attempt to regulate automatically the amount of canvas in the wind in response to its velocity. This was not a great success but formed the basis of more practical designs.[4] At Margate he built a horizontal mill. The object of this design was to regulate the degree of wind driving the sails according to the amount of work to be done in the mill. The vanes of this mill moved on a horizontal plane and were enclosed within shutters which could be opened and closed to regulate the wind. In normal conditions the mill worked two pairs of stones, and three pairs of stones when the wind was strong. It was, nevertheless,difficult to get the sails into

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1. KAO, U1453/B3/15/1169, 18 March 1789, 20 July 1791; U1453/B3/15/2273.

2. Ibid., U1453/B3/15/928, 11 August 1781, 23 August 1781, 5 September 1781.

3. The Kentish Gazette, 24 to 28 February 1786, p.1.

4. Anon, New Margate, Ramsgate, and Broadstairs Guide, (6th ed., Margate 1816) pp. 52-3; Freeman, op.cit., p. 183.

the wind quickly and so very few mills of this design were built.[1]

The extent to which Cobb & Son provided finance for Hooper, either short term or long term, is unknown. After Hooper had left the Margate mills however, Cobbs were left with a note of hand of his for an advance of £100. This was dated 3 September 1800, described as bad and unrecoverable in 1841, (as was £44.19.9. of overdue interest) and finally repaid in two instalments in 1843.[2]

The next miller to figure prominently in the Margate Bank was Edward Pilcher. He came from a milling family which had extensive mills at Dover and had an account with Cobbs by 1802.[3] In the early 1820s the business consisted of three mills which were sold for £2,900, and "other property" sold for £2,000 at some time between 1824 and 1826 at what was considered to be a low price.[4]

Pilcher was the second most prominent borrower from the Margate bank between 1808 and 1815, the most prominent being Matthias Mummery, a coach operator and livery stables proprietor. The importance of the grain trades to the Margate Bank is underlined by the fact that the next five most important customers included James Creed, miller of Westbrook, and the corn dealers, Latham Osborne and Daniel Swinford. The other two included another coach and livery stables operator, William Kirby, and the hoy proprietor, Henry Covell. Pilcher had bills discounted nearly every month. In 1814-15, for instance, his discounts were as follows:

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1. Anon, New Margate, Ramsgate and Broadstairs Guide, (1816), pp. 52-3; Freeman, op.cit., pp. 164-5.
2. LBA, A206/31, Bond No. 2; LBA, A20 b/5, pp. 15-6.
3. Ibid., A20 b/1; KAO, U1453/B3/15/1505, 11 October 1814; Ibid., U1321/B1-5.
4. Ibid., U1453/B3/15/1505, 4 February 1826.

| Month | Value of bills £. s. d. | discount £. s. d. |
|---|---|---|
| March | - | - |
| April | - | - |
| May | * | 8.16.5 |
| June | 455.0.0 | 3.19.4 |
| July | * | 5.2.1 |
| August | 175.0.0 | 1.11.2 |
| September | * | 6.9.1 |
| October | * | 7.10.0 |
| November | 1120.0.0 | 8.14.4 |
| December | 400.0.0 | 2.6.7 |
| January | 1864.13.6 | 13.9.10 |
| February | 100.0.0 | 0.16.9 |

* - value of bills not recorded

Source: LBA, A20 b/6.

In addition to advances by the discount of bills there is evidence of other loans being made. In January 1815 for instance, Pilcher paid £40.4.0 interest on his overdrawn account.[1] This was required to assist Pilcher over a difficult period against a general background of falling prices from the second half of 1812 and a rise in the number of bankruptcies in 1815.[2]

Further evidence of the support Cobbs gave appears in the accounts for the following month, February, when Pilcher paid one half year's interest of £100 on a bond of £4,000. Two years later, in October 1817, £4,000 was described as being on loan to Pilcher on a mortgage bond.[3] In September 1819, Pilcher's account was again overdrawn, apparently for a very substantial amount, for the interest alone came to £100.13.5. In

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1. LBA, A20 b/6.

2. S. Marriner, 'English Bankruptcy Records and statistics before 1850', Economic History Review, vol.xxxiii, 1980, p. 353; A.D. Gayer, W.W. Rostow, A.J. Schwartz, The Growth and fluctuation of the British Economy 1790-1850, (1953), pp. 113-118.

3. LBA, A20 b/6.

addition to this and £4,000 on the mortgage bond which was still outstanding, Pilcher borrowed a further £3,000 on two promissory notes.[1] Bankruptcy must have followed within a few years as by April 1822 Cobbs had taken possession of the mills and it was said that they had been unoccupied for a long time and indeed, they remained in Cobbs' hands until at least December 1824.[2]

The significance of Pilcher as a borrower is further underlined on considering his position on the list of bad debtors. In the accounts of the bank there is a list of "Bad Accounts, Losses & c" for the period 1813 to 1825, containing a list of forty-four debts. Of these debts, that owed by Pilcher was by far the largest, accounting for £9,049.6s. 8d (in 1825) out of a total of £22,151.7s. 4d. Pilcher's nearest rivals in this respect were P. & J. Blackburn with £3,305.11s. 6d.[3] Pilcher's real property was insufficient to liquidate this debt and as a means of ensuring that the money would be ultimately repaid, three insurance policies were taken out on his life to the amount of £7,400.[4] Cobb & Son had to pay the premiums on these policies and there is evidence of their having been paid until 1845.[5]

There are two other aspects of Edward Pilcher's account worthy of attention. Firstly, there is limited evidence that Edward Pilcher was able to use his credit to raise loans for other traders. In November 1819, for instance, he recommended that Cobb & Son should advance £100 to Thomas

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1. LBA, loc. cit.
2. KAO, U1453/B3/15/1309, 30 April 1822; U1453/B3/15/1773, 17 October 1824, 18 December 1824.
3. LBA, A20 b/12, p. 53. See pp. 403-14 below.
4. KAO, U1453/B3/15/1505, 4 February 1826.
5. Ibid., U1453/B3/15/625.

Goldfinch, "a respectable baker" of Ramsgate for three months. Pilcher offered to add his name to the note, and added that £90 of the loan would be immediately placed to his (Pilcher's) account at the bank. Secondly, Pilcher's account at Cobbs meant that in paying for wheat he was able to pay by drafts that could be negotiated for cash by the seller. In 1814 for instance, Pilcher was travelling on the Continent, visiting the grain markets at Middleburg, Bruges, Ghent and Antwerp. To pay for wheat he was able to draw on Cobb & Son's account at Sir James Esdaile at two months date. He explained that he was

> "generally informed that bills direct on London meet with a more general Currency and at a better rate of exchange than those of Country Towns, payable in London."[1]

Thus, through offering the facility of having bills accepted at Esdailes, Cobbs not only simplified the business of the remittance of funds, but provided a credit instrument that could be assigned with ease and quickly turned into cash.

The evidence of Cobb & Son's having advanced funds to millers ceases with the departure of Edward Pilcher from Margate. His next known successor Daniel Gouger does not even seem to have kept an account with the Margate Bank,[2] although he did receive funds indirectly via the corn factors.[2] Both of the Margate corn factors of the 1820s and 1830s, John Swinford and Latham Osborn, had accounts at the bank and were borrowers.[3] Both of these dealers also possessed their own hoys which provided a goods

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1. KAO, U1453/B3/15/1505, 21 September 1814, 26 September 1814.

2. Pigot & Co., Directory 1833-4, p. 853; LBA, A20 b/27. See p. 347 below.

3. Pigot & Co., Directory 1823-4, p. 403, Directory 1833-4, p. 851. Directory 1837, p. 341.

service available to the ordinary public between Margate and London. In 1833, for instance, Swinford and Osborn were listed as the only suppliers of a regular service for goods traffic to London by water. They provided a weekly service, each running every alternate Saturday.[1] Both of these firms had a long history in Margate. Osborns (Latham Osborn Senior and Latham Osborn Junior) are known to have operated hoys between 1796 and 1839 while Swinfords (Daniel and John Swinford) were in business between 1809 and 1839.[2] In the Cobb records there is evidence that Latham Osborn had an account at the Margate Bank at least as early as 1802, and that Daniel Swinford had an account by July 1803, although he was not listed in the directories as a hoyman until a few years later.[3] Both Swinford and Osborn would make purchases and sales on their own account or on behalf of customers in the London markets. Indeed, they were employed on several occasions by the Cobbs to buy and sell malt and barley, and even hops in London for the Margate Brewery.[4]

A bank account was particularly useful in running such a business. Corn dealers required a safe and efficient form of remittance, particularly to and from London where a large proportion of their transactions took place. Esdailes provided the link that facilitated business in London, all the money that the corn dealers received in London being paid into the Margate Bank's account at Esdailes and all money to be paid in London being made available through Esdailes. In 1817 for instance, Daniel Swinford was given credit for up to £1,500 while in 1818 Esdailes were

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1. Pigot & Co., Directory 1833-4, p. 853.

2. J. Whyman, Aspects of Holidaymaking & Resort Development within the Isle of Thanet..., (Kent Ph.D., 1980), p. 434.

3. LBA, A20 b/1.

4. KAO, U1453/B3/15/1424A, e.g. 27 May 1794, 17 December 1804, 19 December 1804, 7 October 1828, 4 November 1828; U1453/B2/40/523, 30 August 1819, 31 May 1831, 24 August 1835.

given instructions to honour freely his cheques at the counter.[1]

There is a considerable amount of evidence that both Swinford and Osborn were frequent borrowers from the Margate Bank. Surprisingly though, there is little evidence of much discounting of bills in the discount ledger covering the years 1808 to 1818. In contrast with Pilcher, who had bills to discount nearly every month, there is only one reference to Cobbs having discounted bills for Swinford to any extent, in January 1810, and none at all for Osborn.[2] The next discount ledger, however, covering the years 1818 to 1828, from the months sampled, shows that Osborn was discounting bills from 1824.[3]

Bills discounted for Latham Osborn jr.

| Months Sampled | Value of bills | Discount |
|---|---|---|
| April 1824 | 2004.1.3 | 7.16.11 |
| March 1825 | - | - |
| February 1826 | - | - |
| January 1827 | 325.6.1 | 2.5.4 |
| October 1827 | 1493.15.3 | 10.6.8 |
| November 1827 | 3330.18.5 | 15.18.11 |
| December 1827 | 2374.6.4 | 22.14.7 |
| January 1828 | 2736.16.9 | 24.14.3 |
| February 1828 | 2247.13.10 | 18.15.10 |
| March 1828 | - | - |
| April 1828 | 3780.19.6 | 34.9.9 |

Source: LBA A20 b/36

1. KAO, U1453/B2/40/523, 3 September 1817, 9 November 1818.

2. LBA, A20 b/6.

3. Ibid., A20 b/36.

The usual practice of Cobbs and most country banks at this time, when bills were paid in by a customer with an account, was to put the amount to the credit of the customer's account, at the same time debiting the appropriate amount of discount. The bill then became the property of the country banker. This was in contrast to the more usual practice in London where it was more common for bills, particularly from country bankers, to be paid in merely to be presented for payment, and as such were 'entered short', that is, they were not credited to the customer's account until they were paid.[1] In the course of their business though, even the country bankers had to hold bills without discounting them but acting as agents, most commonly for other banks, in presenting bills for acceptance or payment.

This facility could be extended to the bank's own customers and was used by Latham Osborn. In April 1839 for instance, he sent Cobbs four bills worth over £650, explaining that they were to be left in the bank's custody and that

> "there is no necessity to put them into the Bank book until they become due."[2]

On other occasions, for instance in July 1829, Cobbs were sent bills and told to credit the account "when necessary", presumably when the credit balance of his cash account was running low.[3] Similarly in January 1839 Cobbs were asked to

> "place [the enclosed bills] to my credit as you may think proper."[4]

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1. KAO, U1453/B3/15/373, 2 June 1827, 12 June 1827; Gilbart, op.cit., vol. II, pp. 56-61; Ex parte Pease in the Bankruptcy of Boldero & Co., English Reports, vol. 34, pp. 433-440.

2. Ibid., U1453/B3/15/1424A, 15 April 1839.

3. Ibid., 17 July 1829.

4. Ibid., 1 January 1839.

Exactly why these bills were not discounted in the ordinary way is not known. Perhaps in some cases it was because the Margate Bank put a limit on the volume of bills Osborn could have under discount at any one time. Discounting bills with Cobbs at this time was relatively expensive and this was probably a further factor, since the Margate Bank invariably discounted local bills at 5 per cent at a time when Overend, Gurney & Co.'s rates rarely reached 4 per cent.[1] Some of the bills may have been of such poor quality that Cobbs would have been unwilling to discount them in any case. Indeed, some bills were placed into the Margate Bank's hands in the hope that payment would be more likely to be forthcoming. In April 1833, for instance, Osborn sent the following instructions to the bank;

> "Mr. Pett's bills please to hold till he pay you As he will [take] no notice of the matter with me I shall advise him that they are in your hands and must be paid. This is an old score."

These bills look as if they were accommodation bills since he continued by saying that Pett

> "wished for an advance of two hundred pounds last Thursday on a bill but I informed him he had better apply to you as I should in future discontinue anything of the kind."[2]

This also shows that while Osborn was borrowing from Cobbs by discounting bills, and on promissory notes (for the latter see below) he was himself lending to various other parties. In other words, although Cobbs were nominally lending to the corn factor, the latter's position as a supplier of credit in the grain trade meant that these funds were diffused over a wider area than may, at first sight, be apparent. Farmers receiving credit from Osborn, in addition to John Mockett mentioned above, included

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1. Mithcell & Deane, op.cit., p. 460.

2. KAO, U1453/B3/15/1424A, 13 April 1833.

Michael and Henry Pett, and William Cramp. In September 1833, Henry Pett arranged to pay part of an overdue bill on Osborn in corn, while in the same month, Osborn was putting pressure on William Cramp to pay two bills. The latter consequently commenced threshing his corn immediately.[1] One other borrower from Osborn was Mr. Gouger who in December 1833 renewed a promissory note for £500.[2] This is probably the Daniel Gouger who was in possession of the Margate mills at this time.[3]

Osborn's long term borrowing from Cobbs was usually on notes of hand. From the months samples from the 'discount ledgers' it can be seen that Osborn was a regular borrower from the bank on such notes. In August 1810, for instance, interest was paid on a note for £800, and in July 1821 a year's interest of £50 was paid on a joint note with G. Bedford for £1,000. This note was still outstanding in May 1823 although the outstanding balance had been reduced to £500. In other cases, Osborn paid interest on notes apparently signed by other people. In December 1812, for instance, Osborn paid interest on a note of J. Curling for £300, and in June 1822, interest was paid at the unusually low rate of 3% on a note of W.W. Bradly for £57.14.1.[4] What is meant by these entries is unclear. Perhaps Osborn had taken over responsibility for the debts of these parties.

The Note of Hand Register for 1835 to 1883 gives a clearer account of this longer term borrowing. There were no notes outstanding from earlier periods, but there is evidence of four notes between 1835 and 1840.[5]

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1. KAO, U1453/B3/15/1424A, 27 September 1833, 19 November 1833.
2. Ibid., 18 December 1833.
3. Pigot & Co., Directory 1833-4, p. 843.
4. LBA, A20 b/6; A20 b/36. This was a period of cheap money, but it was still unusual for Cobbs to discount in the country at less than 5 per cent.
5. LBA, A20 b/31.

| Note Number | Parties | Date taken out | Amount | Paid Off | Length of Loan |
|---|---|---|---|---|---|
| 356 | L. Osborn & E. Dering | 14/8/35 | 8,000 | "bal. paid" 23/3/39 | 7 mos |
| 358 | L. Osborn jr | 14/8/35 | 1,500 | [not known as document severely decayed] | |
| 393 | L. Osborn jr & L. Osborn sen. | 8/3/36 | 500 | 2/6/37 | 15 mos |
| 426 | L. Osborn jr & L. Osborn sen. | 21/10/38 | 1,500 | 9/12/39 £50<br>8/2/40 £1,450 | 14 mos<br>16 mos |

The other Margate corn factors, Swinfords borrowed £1,200 on a note from April 1810 until September 1812, and were in the same years, paying interest on an overdrawn account.[1] Later, in April 1824, £3,200 was borrowed on a note signed by John Swinford and James Smith. This was paid off in instalments; £100 in May 1830, £1,000 in October 1833, £200 in November 1833 and £1,900 in October 1839.[2]

It is difficult to put these figures in their proper context given the absence of appropriate business records. The trade directories of the 1820s and 1830s indicate that Swinford and Osborn possessed no more than one hoy each.[3] Professor Bagwell states that a sailing brig could be bought second hand for as little as £1,200 in the middle of the nineteenth century.[4] Added to this would be the storehouses, but it is un-

1. LBA, A20 b/6.

2. Ibid., A20 b/31, Note number 187.

3. Pigot & Co., Directory 1823-4, p. 404; Pigot & Co., Directory 1833-4, p. 853.

4. P.S. Bagwell, The Transport Revolution , (1974), p.70.

likely that they could have cost very much. Indeed, an insurance policy of 1822 for storehouses and barns at Birchington gives the value of a thatched barn and granary containing corn and seed at £150.[1] If these figures are at all reliable, they would suggest that the Margate Bank was, in several years, lending sums on promissory notes considerably greater than the factors' fixed capital requirements, although the need for working capital to finance stocks and trade credit probably at least equalled and more likely exceeded the need for fixed capital. Similarly, the miller, Edward Pilcher, was receiving advances greater than his fixed capital requirements. It has already been noted that Pilcher's real property was sold for £4,900 in the mid 1820s when his debt exceeded £9,000.

Corn dealers and millers were the most important agricultural middlemen at the Margate Bank. This is hardly surprising given the dominance of arable farming in Thanet's agriculture. It is perhaps more surprising that modern historians of milling have found so little evidence of bank finance when the few bank records that have been studied suggest that traders in corn were usually important customers for rural banks. In Margate, millers and corn merchants were among the most frequent and extensive borrowers, while the bankruptcy of Edward Pilcher shows Cobbs to have been the most important creditors. Perhaps one reason why the work done on corn milling has found so little evidence of bank finance is that it has concentrated on fixed capital formation, although it has generally been acknowledged that working capital accounted for a higher proportion of total capital. Banks were most likely to provide short term loans for working capital, and it is these that can often be the most

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1. KAO, U1453/B3/15/1589, Bdl. A., 24 September 1822.

difficult to detect from surviving business records. Indirectly, this would have released a miller or dealer's own funds for long term investment, but the Cobb records also provide evidence of long term bank loans.

It should be pointed out that the Margate Bank's milling customers all had relatively extensive operations for supplying flour to towns and were also dealers in corn. Perhaps the proprietor of a single, small, rural windmill would not have been looked upon as favourably by a country banker. Finally, the Cobb records indicate that, as in more recent times, the middlemen in the agricultural trades of the Isle of Thanet were in a position to give credit to other members of the trade and to farmers. Thus, funds borrowed from a bank from a corn factor could be diffused across the whole agricultural sector.

# CHAPTER NINE

## Transport, Local Government and Shipbuilding

This chapter is divided into three parts. The first deals with the Margate Bank's contribution to the finance of goods and passenger transport operators, both on coastal and land routes. The second part considers Cobb & Son's investments in transport infrastructure, particularly local turnpikes and the Margate pier and harbour. The latter necessarily involves some consideration of local government, as the pier and harbour was under the jurisdiction of an improvement commission which was also responsible for paving and lighting the town. This leads on to a consideration of the bank's advances to other local government bodies. The third section looks at shipbuilding. The evidence of advances to this sector does not cover such a long period as for the above, but is sufficiently substantial and important to merit specific attention.

Improvements in transport have had a central part to play in economic development. Of the transport improvements of the industrial revolution it has been said that while no single innovation was indispensable, their collective importance was such that "a substantial grant of free resources from elsewhere [would have been required] to compensate for their absence."[1] An important feature of transport was the stimulus an improved system could give to other industries.[2] Transport was an important element in the precocious development of the Isle of Thanet, before the coming of the railway, both as an area with a highly developed agricultural sector

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1. G.R. Hawke & J.P.P. Higgins, 'Transport and Social Overhead Capital', in R. Floud & M. McCloskey, The Economic History of Britain since 1700, (1981), vol. 1, p. 252.

2. See, for instance, the example of St. Helens in, T.C. Barker & C.I. savage, An Economic History of transport in Britain, (1974), p. 37.

farming for the London market, and for the development of Margate as a resort. An added stimulus was given to the latter by the introduction of steamboats from 1815.

The size of the market for many goods and services, including holidays, was dependent on the cost of transport, and the cheapest form of transport in this period was by water. Indeed, it was the only economic way of moving heavy, bulky goods of low value such as coal and grain, over any great distance. This was because the element of transport costs was high in relation to the value of such goods in the market place. In the case of passenger traffic, the availability of water transport on the London to Margate route meant that the possibility of a visit to the seaside was available to a wider section of the population than would have been possible by road transport alone.

Nationally, the most striking development in water transport in these years was the building of the canals. There is no evidence that the Margate Bank participated in canal building and such proposals as there were for east Kent, primarily to improve Canterbury's communication with the coast and up to London, were not executed. Margate already had an excellent and cheap means of water communication with London via the Thames estuary. This is not to say that there was no scope for investment or improvements. Capital was required on a large scale for the construction of the pier and harbour and long term investment was also required for the purchase of ships in the coasting trades. The cost of small sailing ships was quite modest,[1] but the development of steam ships which cost considerably more to build presented greater problems in the raising of

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1. This was not the case with RN ships. See pp. 405-14 below.

capital. Short term borrowing was also sometimes required to assist transport operators with their working expenses, or to assist them through periods of economic difficulty. Working expenses were particularly high in the operation of steamboats.

Road transport played a much smaller part in the transport system, specialising in the carriage of high value goods where the speed and reliability of delivery were important; such as the post, newspapers, luxury goods and many manufactured products where transport costs were of less consequence and speed of greater importance.[1] With high-priced goods, speed was more important as manufacturers wanted their products to reach the market place without delay so that the large capital outlay could be recouped as soon as possible. Retailers and wholesalers of high value goods also put a premium on quick and reliable deliveries so that they could run their businesses with a minimum amount of capital tied up in stocks.

Investment in road transport included the device of the turnpike trust, and investment in warehouses, offices, coaches, wagons and vans. The development of the staging system required an increased investment in horses and stabling facilities. The lives of horses in the transport industry were relatively short and operators had to finance the burden of frequent and regular replacements. On the fast coaches operating on the first fifty or sixty miles out of London, the life span of horses was said to be no more than three or four years, and no more than six years elsewhere.[2]

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1. M.J. Freeman, 'The Carrier System of South Hampshire, 1775-1851', Journal of Transport History, vol. IV, No. 2, September 1977, p. 61-85.

2. W.T. Jackman, The Development of Transportation in Modern England, (2nd ed., 1962), p. 320.

Little is known about the detailed financial problems of either coastal shipping or road transport operators since few accounts survive. In general terms though, it is known that the expenses of road transport were considerable. In addition to the costs of wages for drivers and guards, and the expense of feeding and maintaining large numbers of horses, there was a further heavy burden in the form of government taxation; viz., the stage-coach duty, and, from 1779, a coach mileage duty.[1] A further expense came in the form of turnpike tolls which, according to Harris, amounted on average to 11s 6d per mile per month.[2] For this increase in road maintenance costs, transport operators received substantial benefits in that other operating costs were reduced and the quality of service improved. Speaking of the period up to 1780, Pawson writes that the improved organisation of passenger road transport services, the reduced journey times and the gradual elimination of seasonality in time-tables, would not have been possible without the improved turnpike roads.[3]

Turnpikes helped to reduce transport costs by making it possible to use coaches and wagons more intensively by making a greater number of journeys possible within a given time than was possible previously. A second way in which costs were reduced was by the reduction in the number of horses to pull a given load. For instance, it was common to employ six or eight horses on stage coaches before 1750, whereas in the latter part of the eighteenth century four became the standard number.[4] Goods carriers were similarly able to pull greater loads with fewer horses, and in real

1. Jackman, _op.cit_., p. 316.

2. S. Harris, _The Coaching Age_, (1885), p. 195.

3. E. Pawson, _Transport and Economy: The Turnpike Roads of Eighteenth Century Britain_, (1977), p. 292.

4. _Ibid_., p. 293.

terms the cost of road carriage for goods fell in the second half of the eighteenth century.[1] Charges for passengers, however, increased, as the benefits of turnpiking were offset by the rise of other costs such as the cost of horse-feed and government taxation.[2]

Road passenger transport operators may have been faced with high operating costs but, in common with other passenger transport operators, they benefited from the fact that the bulk of their receipts would have been in cash. This was less often the case in goods transport where the need to provide credit formed another financial burden. Dr. Turnbull notes that the various forms of credit granted to customers by Pickfords required particularly substantial financial resources. Competition, he says, primarily took the form of offering different types of credit and varying the length of time accounts could be left unsettled. Alternatives included the offering of a discount for prompt payment, differential charges or free periods of warehousing.[3]

The relative costs of land and water transport deserve special emphasis. It is estimated that canal rates were between a quarter and a half of those charged by road.[4] Such a reduction in costs meant that the canals were not only able to create a new long distance traffic in heavy, bulky goods of low value, but that they captured some of the high value traffic previously taken by road where the roads followed a parallel route. This was particularly the case with the development of 'fly boats' which travelled all day and all night at an average speed of 3 mph.[5] A

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1. E. Pawson, op.cit., p. 297.

2. Ibid., pp. 294-297.

3. G.L. Turnbull, 'Pickfords and the Canal Carrying Trade, 1780-1850', Transport History, March 1973, p. 12.

4. Barker & Savage, op.cit., pp. 45-46; H.J. Dyos & D.H. Aldcroft, British Transport, An Economic Survey from the Seventeenth Century to the Twentieth, (1969), p. 113.

5. H. Hanson, The Canal Boatman, (Manchester, 1975), pp. 48-50.

similar development occurred in coastal shipping, particularly in the Thames estuary, with the development of steamboats. Before 1815, sailing boats were already carrying passengers who, on other routes, would normally travel by road, or, would not be able to afford to travel at all. The introduction of steamboats further increased the competitive advantage of water transport, and undermined the coach operators on the London to Margate route.[1] There remained, however, many other routes on which there was no competition from water transport, where road transport operators could continue to prosper. Furthermore, improved water transport led to an increase in the amount of long distance traffic and this in turn would have increased the demand for local, short-distance road traffic.

The availability of cheap water transport was one of the most significant factors in the economic development of Margate and the Isle of Thanet. The farmers relied for their prosperity not just on the famed lightness and productivity of the soil of the island, or on its favourable, dry climate, but on their proximity to the expanding Metropolitan market, with which they had direct and cheap water communication by means of the hoys travelling up and down the Thames estuary. The hoys and sailing packets were also the basis of Margate's expansion as a seaside resort from the middle of the eighteenth century and before the advent of the steamboats.

By the 1790s, specialised packets and yachts were developed for the exclusive carriage of passengers. These were said to be "fitted up

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1. The choice between road and water transport was, however, by no means a straightforward one. See for example, Freeman, op.cit., pp. 75-79; Barker & Savage, op.cit., p. 46.

in an elegant and commodious manner, and furnished with good beds."[1] In the first decade of the nineteenth century some of these yachts even had what was described as a "state room" which could be hired for the exclusive use of a small party of travellers.[2] By 1796 there were daily sailings during the season and by 1800, boats were sometimes carrying more than one hundred passengers at a time.[3] Between 1802 and 1815, fares varied between 7s. and 9s. for the best cabin and 5s. to 7s. for the fore cabin for the journey between Margate and London, compared with a coach fare of 21s to 26s. back in 1796, to which the cost of gratuities, luggage charges and meals would have to be added.[4]

The availability of cheap water passenger transport made a trip to Margate possible for a wider section of the population than would have been possible by road transport. In the year 1812-13 (April to April) the sailing packets carried 17,000 passengers, in 1813-14, 20,506, and in 1814-15 as many as 21,577.[5] The cheapness of the boats enabled a wider cross-section of society to visit Margate, perhaps to a greater extent than any other resort of the time. Margate was able to attract more members of the middle classes from the Metropolis, and even such groups as shop-keepers and tradesmen.[6] The presence of a lower class of visitors to a greater extent than was usual in most other resorts at the time was noted

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1. The Kentish Traveller's Companion, (5th ed., Canterbury, 1799), quoted in, J. Whyman, Aspects of Holidaymaking and Resort Development within the Isle of Thanet with particular reference to Margate c. 1736 to c. 1840 (Kent Ph.D., 1980), p. 523.

2. Ibid., p. 523.

3. Ibid., p. 532.

4. Ibid., pp. 509-510, 521.

5. Ibid., p. 533.

6. Ibid., pp. 533, 535, 567-581.

by George Keate in 1779.

> "Those who have paced the Pantiles at Tunbridge, or the Steine, Brighthelmstone, will, I doubt not be startled at the boldness of a writer, who should prefer the Parade at Margate to either... Foreign nations have constantly remarked ours, as abounding with a greater diversity of character than any other... The independency of individuals allows us the indulgence of it... Here there are to be met with many plain, unrefined characters, intermingled with a more polished crowd... The farmer's rosy-cheeked daughter crosses the island on her pillion, impatient to peep at the London females... The Londoner views with a disdainful surprise, the awkward straw hat, and exposed ruddy countenance."[1]

Before turning to a discussion of the borrowing facilities the Margate Bank offered to transport operators it should be noted that in the early years of the nineteenth century the Cobbs had interests in three coastal ships; two sailing packets, the 'King George' and the 'Duke of Kent', and a collier, the 'Nancy'. Of these, most is known of the 'Duke of Kent' which was built in 1799 at a cost of £1,890.[2] Ownership of the vessel was divided into six parts with Captain Kidd holding three sixths, Cobb & Son two-sixths and Mr. Watson one sixth. Between 1800 and 1805, Cobb & Son received dividends at irregular periods amounting to £466, an average annual rate of return of just over 12%.[3] Cobbs had interests in the other two ships at least as early as 1802. The Collier was sold off in 1805, as probably was the 'Duke of Kent', but Francis Cobb II retained a half share in the 'King George' until 1809.[4]

## Transport Operators

The most long standing firms to carry goods by hoy between Margate and London were Swinford and Latham Osborn whose accounts were discussed

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1. Quoted in ibid., p. 596.

2. KAO, U1453/B3/6/8. This account is enclosed in a book of circulation accounts, 1815-1825.

3. Ibid.

4. LBA, A20 b/5, see accounts at the front of the book before pagination begins and pp. 13-14.

in the previous chapter. As well as being corn merchants, both firms possessed hoys which could be used to send corn to the London market, but since this trade was probably insufficient to keep the vessels in employment all the year round, both firms offered a general service for goods open to the public. For many years Swinford and Osborn appear to have been the only people to have offered such a service. In 1811, for instance, only Swinford and Osborn were listed as operating corn-hoys while they were also the only firms listed in Pigot Co.'s directories for 1833-4 and 1837 as offering a public goods service by water.[1] As was discussed in the previous chapter, both these firms were regular borrowers from the Margate Bank, frequently for substantial amounts. In the 1820s and 1830s each firm had one hoy, each running every alternate Saturday, although in 1811 Latham Osborn was listed as having two hoys.[2]

The evidence for other transport operators is frequently problematic. Ownership is a particular problem. For the corn hoys the directories were careful to distinguish owners from captains and owner - captains, but for passenger or 'passage vessels' no such distinctions were made. Furthermore, the ownership of such vessels was likely to be divided into shares as was the packet 'Duke of Kent'. Further difficulties arise when account is taken of the probability of there being two people in the town of the same name, of changes in the spelling of surnames and the possibility of errors in the directories. An illustration of this is the case of William Read who was listed in <u>Holden's Directory for 1811</u> among the eleven operators of 'passage vessels'.[3] After the introduction of steamboats in 1815 it

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1. <u>Holden's Directory for 1811</u>; Pigot & Co., <u>Directory for 1833-4</u>, p. 853; Pigot & Co., <u>Directory for 1837</u>, p. 343.

2. <u>Ibid</u>.; Pigot & Co., <u>Directory for 1823-4</u>, p. 404.

3. <u>Holden's Directory for 1811</u>.

would have been easy for Read to have converted his vessel to the carriage of goods, but Pigot & Co.'s directory for 1823-4 lists one of the three Margate coastal sailing ships as being operated by William Reed.[1] An additional complication arises from the fact that in 1810 the landlord of the Old Crown Inn of Margate was also called William Reed.[2] It is impossible to prove whether these references are all to the same person or to different people, and in this respect the bank's accounts do not assist either since the occupation of borrowers was not recorded. All that can be said is that a person called William Reed who might have owned a sailing packet known as the 'Duke of York' paid £6.15s. in September 1811 on two notes of hand amounting to £200. Later, in February 1815, there is a reference to a William Reed paying £2.4s. interest on a cheque for £100.[3]

Of the eleven 'passage vessel' masters listed in 1811, two more likely borrowers are James Laming, master of the sailing packet 'Royal Charlotte', and Richard Laming of the 'British Queen'.[4] The latter was also listed as a sailmaker, but according to The Kentish Gazette this part of his business was given up in April 1812.[5] In May 1812, James Laming paid 16s. 10d. interest on his overdrawn account.[6] Richard Laming borrowed rather more substantially in 1808 when Cobbs held his note of hand for £100.[7] Later, in May 1821, £22.17s. 7d. was written off as a bad debt on his cash

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1. Pigot & Co., Directory for 1823-4, p. 404.
2. KAO, U1453/B2/1/1A.
3. LBA, A20 b/6.
4. Holden's Directory for 1811.
5. The Kentish Gazette, 17 April 1812, p.1.
6. LBA, A20 b/6.
7. Ibid., A20 b/2.

Advances and Discounts of Henry Covell, 1808-1815

| Year | Month | Security | Amount £s. | Interest/Discount Paid £. | s. | d. |
|---|---|---|---|---|---|---|
| 1808 | | | | | | |
| | March | Note to lay over | 200 | 1 | 13 | 4 |
| | | Note at 2 months date | 150 | 1 | 6 | 0 |
| | May | Note at 2 months date | 150 | 1 | 5 | 0 |
| | December | Note at 5 months date | 100 | 2 | 2 | 6 |
| 1809 | | | | | | |
| 1810 | | | | | | |
| | November | Note at 8 months date | 400 | 13 | 10 | 0 |
| 1811 | | | | | | |
| | February | Note at 5 months date | 250 | 5 | 4 | 2 |
| | July | Note to lay over 5 months | 400 | 8 | 6 | 8 |
| | | Note to lay over 5 months | 250 | 5 | 4 | 2 |
| 1812 | | | | | | |
| | May | Overdrawn Account | | 1 | 4 | 2 |
| 1813 | | | | | | |
| | January | Note | 1600 | 34 | 0 | 0 |
| | | Note | 1200 | 25 | 19 | 0 |
| | | Note | 61.10.6. | | 2 | 4 |
| | March | Overdrawn Account | | 1 | 0 | 5 |
| | June | Acceptance at 2 months date | 1700 | 14 | 3 | 4 |
| | August | Acceptance at 3 months date | 1700 | 21 | 19 | 0 |
| 1814 | | | | | | |
| | March | Overdrawn | | | 17 | 0 |
| | August | "Int$^{t}$/Acc$^{e}$ to $^{h}$/Dfts" | 1500 | 4 | 1 | 0 |
| | | Acceptances at 3 months date | 1760 | 22 | 13 | 3 |

Source: LBA, A20 b/6.

account.[1]

The existence of some correspondence means that there is much less doubt concerning the account of Henry Covell who was probably the most important borrower among the sailing packet owners. Covell was listed in the directories as living in Hawley Square, one of the most fashionable parts of the town, but his vessel, the 'Princess of Wales' was listed only with the name of her captain.[2] Covell's borrowing is summarised on page 361 for the period March 1808 to February 1815. At first, Covell borrowed on promissory notes for fixed, short-term periods, which Cobbs discounted. The term of some of these was extended by renewal. One note for £200 was allowed to 'lay over' in March, while a note for £150 discounted in that month was renewed in May for a total of four months. A third note, of £400, was discounted in November 1810 for a total of thirteen months, and a fourth, for £250 was extended to ten months by renewal (see p.361 ). Covell's borrowing became more extensive in 1813 with a total of £2,891.10s. 6d. being borrowed in the January of that year. By August 1814 the debt had been reduced to £1,760 on the security of an acceptance of three months and additional security in the form of a bill of sale on the sloop 'Princess of Wales' deposited with Cobbs together with a Margate Pier Mortgage for £300.[3] Covell was given the power to raise a further sum of £1,500 by Cobb & Son signing drafts for him up to that amount.

Covell must have failed to pay the acceptance when due, as in December 1814 Cobbs were seeking advice as to what should be done. Their stock

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1. LBA, A20 b/12, p. 53.
2. Holden's Directory for 1811; KAO, U1453/B3/15/441, 13 May 1815.
3. KAO, U1453/B3/15/723, 13 May 1815.

broker William Giles, advised that they should agree to the sale of the packet boat by April 1815.[1] In January 1815 it was revealed that Covell had creditors to the extent of £3.253.10s. 5d., with Cobb & Son having the largest claim at £1,950. Negotiations took place between Covell's creditors during that month, but on failing to reach any agreement, Covell was imprisoned for debt in the King's Bench Prison, where he remained until the following May or June.[2]

The Margate Bank took a prominent part in the settling of Covell's business and thus helped to relieve some of the financial strain that must have been felt by some of his other creditors. Cobbs, as the most important creditors, had a particular incentive for avoiding a disorderly winding up of the concern and any unnecessary losses made by a too hasty sale of the assets. In January 1815, Covell's creditors were offered the option of drawing on the Margate Bank at three months for 12s. in the £ and taking Covell's security for the remaining 8s. for three years. Cobbs would have a new bill of sale on the 'Princess of Wales' plus an insurance policy on Henry Covell's life for £2,000.[3] The exact details of the final settlement are not known, but it seems likely that they followed rather similar lines. In doing so, Covell's creditors were given securities which could be turned immediately into cash for part of the debt while Cobbs, who seem to have been less concerned to liquidate the debt immediately, were able to postpone the sale of the assets until the market became more favourable.[4]

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1. KAO, U1453/B3/441, 21 December 1814.

2. Ibid., 28 January 1815, 21 January 1815; U1453/B3/15/723, 13 May 1815, 3 June 1815, 7 June 1815.

3. Ibid., U1453/B3/15/441, 21 January 1815, 23 January 1815.

4. Ibid., 30 May 1815; U1453/B3/15/723, 6 February 1815, 13 May 1815, 18 May 1815, 7 June 1815, 10 June 1815.

| Master Mariners | Security | | Amount £s. | Interest/Discount Paid |
|---|---|---|---|---|
| William Adams | Feb 1808 | note | 20.0.0. | * |
| | Feb 1809 | note | 100.0.0. | * |
| | Aug 1812 | overdrawn | | 1.15.8. |
| | Mar 1813 | overdrawn | | 17.7. |
| | Mar 1814 | overdrawn | | 1.2.0. |
| | Jun 1815 | overdrawn | | 9.0. |
| | Jul 1821 | noted ("at 3 months") | 100.0.0. | 1.6.0. |
| | Mar 1828 | bond | 100.0.0. | 5.0.0. |
| | Mar 1828 | note | 100.0.0. | 5.0.0. |
| | Apr 1809 | Bd | 250 | * |
| Richard Grant | Jun 1809 | check | 30.0.0. | 1.6. |
| | May 1810 | bond | 250.0.0. | 12.10. |
| | May 1811 | bond | 250.0.0. | 12.10. |
| J. Grant | Oct 1809 | bond | 110.0.0. | 5.10.0. |
| H. Harman | Jul 1814 | note ("to lay over 6 mos") | 50.0.0. | 1.5.0. |
| R. Holmans | Nov 1814 | note - 12 mos | 60.0.0. | 3.0.0. |
| **Shipwrights** | | | | |
| Robert Grant | Jul 1812 | bond | 250.0.0. | 12.10.0. |
| | Apr 1813 | bond | 250.0.0. | 12.10.0. |

* Amount of interest paid not available

Source: LBA, A20 b/2, A20 b/6.

In 1820, £410.4s. 10d. was written off as a bad debt and a loss against Henry Covell's account.[1]

In addition to the above, five possible instances of lending to master mariners resident in Margate have been found ( page 364). Of these, William Adams is a doubtful case since the directories list two people in Margate in 1811 of that name, one a master mariner of Princes Street, and the other a plumber and painter of Bridge Street.[2] The books of the Margate Bank give no indication as to which of these two they refer to. The correspondence suggests that the transactions after 1815, if not before that date, were with the plumber and painter.[3] The others, Richard Grant, J. Grant, H. Harman and R. Holmans all received medium to long term loans, on either notes or bonds. Harman's "note to lay over 6 mos" was an extension of an existing loan, while from the interest on the bonds and notes signed by the other parties, it is clear, given that Cobbs almost invariably charged 5 per cent, that these loans were for twelve months. The advance of £250 to Richard Grant was renewed three times making the length of the loan at least three years. Similarly, an advance of £250 to Robert Grant, a shipwright, was renewed to make the total duration of the loan two years.

With the exception of those engaged in the corn trade, there is no evidence of this group of customers having discounted bills of exchange. This is not surprising since most passengers would probably have paid in cash prior to their journey, while any promissory notes that might have been taken would rarely be of sufficient quality to satisfy a banker.

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1. LBA, A20 b/12, p. 53.
2. Holden's Directory for 1811.
3. KAO, U1453/B3/15/8.

Unfortunately, nothing has survived to indicate how either the proprietors of sailing packets or the master mariners used the money they borrowed from Cobbs, but the timing of the advances may give a clue. Advances were often granted in the early part of the year. James Laming, for instance, was overdrawn in May 1812,[1] and Henry Covell took out new loans in March 1808, February 1811, and January 1811. He was also overdrawn in May 1812, March 1813 and March 1814. Other loans were taken out at the very end of the year, in December 1808 and November 1809 ( p. 361 ). This suggests that funds were being borrowed in the winter or the early part of the year to pay for the repair and maintenance of the packet boats before the commencement of the busy summer season when passenger receipts would bring in the means for the repayment of an advance.

Borrowing facilities were also offered to passing ships. In April 1821, for instance, the Margate Bank received the following request from F.F. Gibbs of the ship the 'Earl of Cluncarty'.

> "In consequence of our voyage being longer than I expected after returning twice, my provisions getting short I have taken the liberty of sending you an order on Messrs. J. Hall & Co., 6, Circus, Minories, for the Amt of ten pounds which you will please to Discount to the bearer."[2]

Before discounting a bill for a passing ship, Cobbs clearly wanted to be sure that it was accepted by a safe and responsible party. This is illustrated by the correspondence of John Slee of Southwark in 1784. This concerned the sloop 'Kite' which had called in at Margate for repairs. The owner of the vessel, John Westcott, was either not sufficiently known to Cobbs, or not considered sufficiently respectable for Cobbs to discount a bill drawn on him. Instead, a bill of £20 at two months had to be

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1. LBA, A20 b/6; p. 360 above.

2. KAO, U1453/B3/15/750.

drawn on John Slee, who himself required the Captain to give him a draft at seven days for the same amount.[1]

The business of lending to passing ships was usually done through Cobbs' Shipping Agency.[2] The agency organised a wide range of services including the supply of anchors and cables, the supply of provisions, the assistance of ships in distress and the salvage of wrecks. Cobbs would pay the debts incurred locally by ships and then draw on either the owners, the charterers or their agents in London. The bills arising from these transactions were then added to the other investments of the bank. The sort of work that was done can be illustrated by two accounts. The first is for provisions supplied to the brig 'Le Herot' of Calais in 1818.

| | £ | s. | d. |
|---|---|---|---|
| To Butcher (S. Foat) for beef as per bill | £1. | 12. | 8. |
| Baker (R. Crofts) for biscuits per bill | 1. | 12. | 6. |
| boat hire as agreed | 1. | 1. | 0. |
| Agency, correspondence and postage | | 13. | 10. |
| | 5. | 0. | 0. |

Cobbs then drew for this amount on Messrs. Pedder, Redhead & Co. of Gould Square, London.[3] A more complicated account exists for the Antigouns of Bruges which was wrecked in 1815 on the 'Horse Sand' near Herne Bay, while on her voyage to Ostend.

| | £ | s. | d. |
|---|---|---|---|
| To Notary for protest as per Acct. | 2. | 0. | 0. |
| Expences of board and lodging for the crew & for washing the Capt$^{n}$ Clothes at Hearn bay, also for drawing up the long boat in safety & for hire of Cart for the Capt$^{n}$ & Pilot to come down to Margate as per Acct. | 7. | 8. | 9. |

1. KAO, U1453/B3/15/1770, 15 March 1784.
2. For the origins of the shipping agency, see pp.14-6.
3. LBA, A20 b/39, p. 265.

| | | | |
|---|---|---|---|
| Waggon hire to convey the Crew with their chests and bedding from Hearn Bay to Margate | 1. | 11. | 6. |
| Twice Chaise hire expences with Cap$^{n}$ Peterson to H$^{n}$ Bay to look after the wreck & for boat hire at twice going off to her | 6. | 0. | 6. |
| Jos$^{n}$ Bell for his attendance on the wreck with his vessel & crew, assisting to tow her to the Main & for taking charge of her as agreed with him | 7. | 0. | 0. |
| Tavern expences of board and lodging for the Cap$^{n}$, Pilot & crew while detained here, also for provisions supplied the crew for their voyage across to Ostende | 20. | 12. | 6. |
| Cash advanced the Ostend pilot by Crs order | 3. | 0. | 0. |
| Cash advanced Capt$^{n}$ Peterson & to defray his expence of journey to Whitstable to claim the materials saved. | 5. | 0. | 0. |
| Stamp, postages & incidental expences | | 13. | 1. |
| Our care & trouble & correspondence in this business | 5. | 5. | 0. |
| | 58. | 11. | 4. |
| To Disbursements & Charges on the Hull & Materials at Hearn Bay & Whitstable as per W. Wharlows Acct. accompanying | 42. | 1. | 2. |
| | 100. | 12. | 6. |

From this amount Cobbs were able to deduct the proceeds of the sale of the hull and materials at £76. 10. 6., but this still left a bill of £24. 2. 0. to be sent to the owners.[1]

Other accounts were for larger amounts. The supply of an anchor and cable to the ship 'Wilding' of London in 1819 led to a bill of £258. 13. 0.,

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1. <u>LBA</u>, <u>loc.cit</u>., pp. 155-156.

and the same task for the 'Indispensable' in 1818 to a bill for £324. 19. 0.[1] Drawing bills for large amounts on so many different merchants and shipowners certainly entailed an element of risk. In 1812, for instance, the shipping agency made a loss of over £450.[2] When Francis Cobb II was drawing up the overall account of his total income and expenditure in 1807, no entry was made for the shipping agency as the

> "accounts [are] not settled, [because of] two heavy bills on which we are afraid of losses, not being paid."[3]

The Margate Bank made a particularly striking contribution to the development of road passenger transport facilities in the area. In 1811, Margate had three coach operators, Mummery & Son, William Kirby (sometimes spelled Kerby) and Nicholson & Gruby. In that year the coach 'Mercury' ran from Mummery & Son's office every morning during 'the season' at 7 a.m. to the Blue Boar at Holborn. In competition, Kirby's coach 'Telegraph' also left every day at 7 a.m. for the White Horse, Fetter Lane. Both firms offered a service every afternoon at four o'clock to Canterbury with Kirby providing an additional mail coach at half past four. Between them, they also provided coaches to Sandwich, Deal and Dover daily at eight o'clock in the morning and three o'clock in the afternoon, and services to Ramsgate and Broadstairs, "during the season, several times a day".[4]

On the London route the coaches undoubtedly carried only a small part of the total traffic. Their fares were much higher than those charged

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1. LBA, loc.cit., pp. 329, 279.
2. Ibid., A20 b/5.
3. Ibid.
4. Holden's Directory for 1811.

by the hoys while their carrying capacity, with no more than about six inside passengers and eight to ten outside passengers, was much smaller than that of the hoys or the sailing packets. They were able, however, to serve a particular section of the market that found travel by sailing packet to be unattractive. This primarily consisted of persons on urgent business and the more wealthy class of visitors. The principal disadvantages of the hoys were their slowness and their unreliability. In 1796, the coaches travelled either all day or all night to reach London, and in 1815 the journey time was about eleven hours.[1] In 1797, the sailing packets were able to do the same journey in comparable time, that is, between ten and twelve hours,[2] but passengers by boat were much more likely to have their arrival time delayed, usually by adverse tides or weather conditions. A guide-book of 1820 on looking back to the hoys noted that although they had been known to complete the Margate to London passage in ten or fourteen hours, it was more common for them to take thirty-six hours, and sometimes seventy-two.[3]

Furthermore, the journey by sea could be unpleasant. There was always the problem of sea-sickness, but this was not the only disadvantage, as G.S. Carey pointed out in 1799:

> "should you be disposed to go by water to Margate, you will often be under the necessity of arming yourself with a great deal of patience, and a good store of victuals; you must shut your eyes from seeing indecent scenes, your ears from indecent conversation, and your nose from indelicate smells."[4]

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1. Whyman, _op.cit._, pp. 510-513.

2. _Ibid._, p. 517. The most wealthy travelled in private carriages of their own.

3. W.C. Oulton, _Picture of Margate_, (2nd ed. 1821) p. 113.

4. Quoted in Whyman, _op.cit._, p. 527.

As regards local stage coach traffic, the hoys encouraged an increase in traffic between Margate and the neighbouring resorts of Broadstairs and Ramsgate since many visitors to these places preferred to disembark at Margate and finish their journey by road so that they could avoid the rougher and more dangerous passage around the North Foreland by sea.[1]

Despite the heavy burden of government taxation and the high costs involved in providing stage coach services, the business, according to Harris, was highly profitable.[2] This was no doubt a major consideration encouraging Cobbs to lend as much as they did to coach operators. In the listing of the bank's assets in February 1808, Cobb & Son were mortgagees to both Kirby and Mummery, the former for £1,800, and the latter for £1,500 (see pp. 372-3). Mummery's mortgage had increased to £2,500 by 1810, and to £5,000 by 1813.[3] For some reason or other, interest payments on Kirby's mortgage of £1,800 do not appear regularly in the bank's ledgers, except in January 1815, although the mortgage can be traced in December 1813.[4] Other references to large loans to Kirby for a year or more come in January 1813 on a promissory note for £1,000; a bond for £1,000 and a mortgage bond for £300 in 1818 and a mortgage for £1,600 in 1819.

An insurance policy document of 1829 shows that Francis Cobb and Francis William Cobb were still the mortgagees of property by that time in the hands of William Kirby's executors.[5] This document helps to put the Margate Bank's advances into context. The premises were described

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1. Whyman, _op.cit_., p. 508.
2. Harris, _op.cit_., pp. 201-12.
3. See also, _LBA_, A20 b/2, pp. 123-125.
4. _Ibid_., pp. 123-125.
5. _KAO_, U1453/B6/1/65.

| | | Amount of bond note etc. | Interest paid |
|---|---|---|---|
| **M. Mummery** | | | |
| February 1808 | mortgage | 1500.0.0. | |
| March 1808 | discounts & commission | | 9.19.7. |
| May 1808 | interest & commission | | 20.11.5. |
| July 1808 | discounts & interest | | 14.13.6. |
| September 1808 | discounts & interest | | 19.14.2. |
| November 1808 | discounts & interest | | 16.15.10. |
| January 1809 | discounts & interest | | 9.7.2. |
| March 1809 | | | 18.6.0. |
| August 1809 | overdrawn and discounts | | 14.10.6. |
| February 1810 | bond | 2500.0.0. | 125.0.0. |
| | overdrawn (last year) | | 12.14.6. |
| August 1810 | overdrawn and discounts | | 27.4.0. |
| April 1811 | bond | 2500.0.0. | 125.0.0. |
| July 1811 | discounts & interest | | 87.10.0. |
| January 1812 | overdrawn | | 35.5.9. |
| October 1813 | mortgage bond (with George Mummery) | 1000.0.0. | 50.0.0. |
| | mortgage bond | 1500.0.0. | 75.0.0. |
| | 2 yrs interest mortgage | 2500.0.0. | 250.0.0. |
| | cash advance on account current (1 year's interest) | 300.0.0. | 15.0.0. |
| August 1814 | interest on cash advance | 300.0.0. | 15.0.0. |
| September 1814 | bond (due June last) | 1000.0.0. | 50.0.0. |
| | bond ($\frac{1}{2}$ year due July last) | 1000.0.0. | 25.0.0. |
| | bond | 2500.0.0. | 125.0.0. |
| | bond ($\frac{1}{2}$ year due August) | 2500.0.0. | 62.10.0. |
| October 1814 | bond | 1500.0.0. | 75.0.0. |
| December 1814 | cash advanced | 300.0.0. | 15.0.0. |
| June 1815 | overdrawn | | 11.19.0. |
| July 1815 | acceptance & discounts | 120.0.0. | 1.8.8. |
| 30 September 1825 | loss on his cash account | £873.6.6. | |
| **William Kirby** | | | |
| February 1808 | overdrawn | 65.9.0. | 10.15.8. |
| | mortgage | 1800.0.0. | |
| August 1809 | overdrawn | | 10.15.8. |
| February 1810 | overdrawn | | 23.7.3. |
| July 1811 | overdrawn | | 30.15.0. |
| May 1812 | overdrawn | | 48.13.7. |
| January 1813 | note | 1000.0.0. | 50.0.0. |
| March 1813 | overdrawn | | 6.5.10. |
| December 1813 | bond (mortgage?) | 1800.0.0. | |
| March 1814 | overdrawn | | 19.10.0. |
| January 1815 | overdrawn | 267.7.11. | 17.2.8. |
| | bond & note | 2800.0.0. | 140.0.0. |
| | "odd interest on foregoing to date" | 1334.10.7. | 5.19.0. |

[Continued]

| | | Amount of bond note etc. | Interest paid |
|---|---|---|---|
| William Kirby | | | |
| October 1818 | acceptance | 42.10.0. | 8.6. |
| December 1818 | bond | 1000.0.0. | 50.0.0. |
| | mortgage bond | 300.0.0. | 15.0.0. |
| | discount note 1$^{m}$fd | 100.0.0. | 9.6. |
| January 1819 | acceptance 7$^{m}$fd | 60.0.0. | 7.10.3. |
| | acceptance 9$^{m}$fd | 1600.0.0. | 80.0.0. |

25 August 1825 "Bal$^{ce}$ & Loss on Cash £754.3.4. & purchase £309." - £1063.3.4.

| | | Amount of bond note etc. | Interest paid |
|---|---|---|---|
| John Bloxham | | | |
| August 1811 | "Int$^{t}$ overdue on Sundry Acc$^{es}$ | | 6.15.0. |
| George Mummery | | | |
| Nat 1819 | "yrs Int$^{t}$ Apprais$^{t}$ Turn$^{e}$" | 150.10.6. | 7.10.6. |
| | "int$^{t}$ $^{h}$/& others Note" | 300.0.0. | 23.12.3. |
| September 1819 | discount F. Howe's Acceptance 6$^{m}$fd | 48.0.0. | 6.0 |
| August 1820 | "int$^{t}$ $^{h}$/Dft Minter" | 50.0.0. | 2.3. |

Source: LBA, A20 b/2, A20 b/6, A20 b/36, A20 b/31, A20 b/12.

as consisting of one range of six stables with lofts above worth £450, coach houses and a granary worth £450, a further range of coach houses and stables worth another £450, plus further buildings also worth £450, a total of £1,800 for the buildings, exclusive of their contents.[1]

Cobbs still had a mortgage on these buildings in 1829, by which time the business was being conducted by a tenant, Stephen Holmans.[2] The money Kirby borrowed on mortgage from Cobbs, at least as early as 1808, would have been sufficient to cover his fixed capital requirements for stabling and the storage of coaches. Given that Mummery & Son's business was on a similar scale the same is probably true of this second firm. Borrowing went considerably beyond this point in some years for both firms; over £3,000 for William Kirby in January 1815, and £5,300 for Matthias Mummery in October 1813.

Borrowing of this extent must have been close to the total value of the assets of both firms. In addition to the property already mentioned, stage coach proprietors commonly either owned or rented small plots of agricultural land where horses could be put out to graze and animal feedstuff grown. In 1833, it was said that "a great many persons in the neighbourhood of such a place as Margate are desirous of a little land" for such purposes[3] and that consequently the rents of small plots of land of ten to twenty acres near the towns were as high as £3 to £4 per acre. Twenty years earlier, at the latter end of the Napoleonic Wars, they were said to have let for as much as £6 an acre.[4] This was much greater than the

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1. KAO, U1453/B6/1/65.

2. Ibid.

3. BPP, Minutes of Evidence, Select Committee on Agriculture, 1833, vol. V. Q.5508.

4. Ibid., QQ.5499, 5500, 5506, 5508.

rental value of other farms in the Isle of Thanet in the early 1830s which were let for something between 30s. and 36s. an acre.[1] In 1811, William Kirby took out an insurance policy for the farming stock, utensils and farm buildings on four small farms. This does not give any indication of the value of the land, but the valuation of stock and buildings were; on a farm at New Street, Margate, £180, Old Chappel Bottom Farm, £120, a farm at Northdown, £50, and Woodchurch Farm £150, a total of £500.[2] On top of this there was the capital invested in coaches and horses, on which it is very difficult to put a value. Turnbull has found that in 1831, Pickfords valued their horses at £5 per head.[3] W.A. Rowe suggested, that in 1821, Kirby's livery stables had space for the accommodation of eighty-two horses, although this is possibly an exaggeration.[4] Part of the premises were probably used to accommodate the horses and carriages of visitors, so it seems unlikely that the value of Kirby's horses could have greatly exceeded £200, and was probably rather less.

It has already been noted that the coaching trade involved considerable expenses, including turnpike tolls and government taxation as well as labour and fodder for animals, whether bought in the market or produced on the coach proprietor's own farms. As well as the long term assistance, there is evidence of the Margate Bank having given short term assistance which would have helped to finance working expenses, and overcome short-term financial difficulties. Evidence for the discounting of bills of exchange

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1. BPP, loc.cit., QQ. 5503,5529.
2. KAO, U1453/B6/1/26.
3. Turnbull, op.cit., p. 13.
4. Margate Public Library, W.A. Rowe, M.S.S., Index to Streets, p. 65.

is limited to Matthias Mummery, although even here it is not clear whether these were trade bills or accommodation bills, promissory notes or acceptances similar to Kirby's two promissory notes for £60 each, one at seven months and the other at nine months, discounted in January 1819, (see pp. 272-3 ). As with the packet boat operators, most receipts from passengers would be in the form of cash rather than discountable bills. There is considerable evidence of overdrawing for Mummery in 1809, 1810, 1812 and 1815, and for Kirby in 1808, 1809, 1810, 1811, 1812, 1813, 1814 and 1815. Short term borrowing facilities were also extended to others in the transport business including John Bloxham in 1811, a livery-stable keeper, although not a coach operator,[1] and George Mummery in 1819 and 1820.

By 1823, there was only one coaching firm operating from Margate, for by this date William Kirby and George Mummery had formed a partnership[2] (Matthias Mummery was dead by 1818[3]). The years after 1815 must have been particularly difficult for coach operators in Margate, for not only did they have to contend with the problems of the post war depression, but the introduction of steamboats, an improved, more attractive and cheap form of water transport that led to the loss of some of their London traffic. Indeed, such were the advantages of the steamboats that in 1839, John Poole noted

> "I have not heard of one person, in his or her right senses, who has lately made an overland trip to Margate,... apart from the driver and the guard of the royal mail, [for whereas] my own first sea trip to the place in question, which was performed in a thing called a hoy, ... endured for seven-and-thirty mortal hours, ... my last, in a steamer, was accomplished in about 6½ hours."[4]

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1. Holden's Directory for 1811
2. Pigot & Co., Directory 1823-4. p. 404.
3. KAO, U1453/B3/15/1774, 9 January 1818.
4. Quoted in, Whyman, op.cit., p. 499.

The assertion that nobody used the road passenger services between London and Margate must be an exaggeration, for London services were always provided every morning, whereas the steam packet services, even in the 1830s, were reduced to one sailing per week during the winter months.[1] A sign of the greater difficulties of the coach operators is the greater security Cobbs required from George Mummery; viz., that other parties were required to join their names to his promissory note for £300 in May 1819, and that the acceptance of 1819 should be signed by F. Howe, the proprietor of the Royal Hotel and Assembly Rooms, and the draft of August 1820 by a Mr. Minter. A second indication of the difficulties of the coaching industry in these years is that £873. 6s. 6d. was written off Matthias Mummery's account as a bad debt in 1825, and £1,063. 3. 4. off William Kirby's account, also in 1825.[2] A second partnership ledger though, indicates that these accounts were determined to be bad at some time between 1813 and 1822.[3]

It is not possible to trace whether there was any short term borrowing by stage coach proprietors after 1828 as no ledgers survive which could give the information and neither is there any correspondence. The Margate Bank continued, however, to provide long term loans. Margate's sole passenger coach operator of the 1830s, Stephen Holmans,[4] borrowed £1,250 in June 1831. This was paid back in instalments of £100 in November 1832, £100 in March 1834, £100 in December 1834, £200 in October 1840 and £750 in May 1851.[5] It is clear then, that Cobb & Son played a major role in

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1. Pigot & Co., Directory 1833-4, p. 853; Pigot & Co., Directory 1837, p. 343.

2. LBA, A20 b/12, p. 53.

3. LBA, A20 b/5, p. 853.

4. Pigot & Co., Directory for 1833-4;p.853; Pigot & Co., Directory for 1837, p. 343.

5. LBA, A20 b/31, Bond number 198.

the finance of coach services operating from Margate throughout the first half of the nineteenth century.

Coaching services, although they faced competition from the steamboats, continued to be provided on the London to Margate route. Passenger services by sailing boat, however, were soon withdrawn altogether. For a short period, technical problems with the steamboats gave the sailing packets a few more years of business, but they were being withdrawn from 1817. A guide book of 1821 stated that "The hoys are nearly laid aside, only two having having sailed alternately in 1819".[1] These were probably the goods hoy services operated by Swinford and Osborn. The same guide-book stated that the most profitable activity for the steamboats was the carriage of passengers.[2]

Hoys continued in the business of carrying goods traffic as, with lower operating costs, they were able to charge lower rates than the steamboats for cargoes where speed of delivery was less important. As regards passenger traffic, steamboat fares were no lower than those charged by the sailing packets. In 1815, the sailing packets were charging a fare of 7s. for the 'best cabin' and 5s. for the 'fore cabin' on the journey between London and Margate, a level of fares comparable with that of 1812 before the introduction of steamboat competition.[3] Steamboat fares were as high as 15s. for the 'best or saloon cabin' and 12s. for the 'fore cabin' in 1820. It was not until the mid 1830s that steamboat fares fell to levels comparable to the, by then, displaced hoys.[4] It was really the quality of service that the steamboats offered that led to their dominance over

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1. W.C. Oulton, Picture of Margate, (2nd ed., 1821), p. 114.
2. Ibid., p. 112.
3. Whyman, op.cit., p. 524.
4. Ibid., p. 555.

the sailing packets, particularly the improved journey times and their greater reliability with regard to destination times. Many steamboats offered comfortable facilities, and they were often recommended as an attractive form of travel. This is confirmed by the fact that many people who would have previously travelled by road switched over to the improved form of water transport. Of the boats themselves, it was said in 1821;

> "The accommodations are excellent: music, cards, backgammon, chess, drafts & c. are provided for the amusement of the passengers: in short, the boat, during a voyage, may be compared to a London coffee-house, and the noise of the engine to the rumbling of carriages over stone pavements. Every attention is paid to ladies: indeed, the most gratifying respect and civility are shown to all passengers, by the captain, steward, and ship's company."[1]

In 1819, Sir Richard Phillips described a journey to Margate by steamboat when

> "the tide was running strong up the river, and ... no other vessel could make progress, except in the direction of the tides. The steam packet proceeded, however, against the stream, in a gallant style, at the rate of six or seven miles an hour; and a band of music, playing lively airs on the deck, combined, with the steadiness of the motion, to render the effect delightful."[2]

Building costs and running costs were both higher for steamboats than for sailing packets. One contemporary writer, William Bain, the commander of the City of Edinburgh steam-packet, estimated that in 1825

> "A steam-packet of 100 horses power, equipped to the taste of the present times, will probably cost about £20,000."[3]

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1. Oulton, _op.cit._, pp. 113-114.

2. _Ibid._, p. 114.

3. W. Bain, 'Remarks on the Progress of Steam Navigation', _Blackwood's Edinburgh Magazine_, vol. XVIII, November 1825, p. 544.

The cost of engines, boilers and paddle wheels, plus a stronger and more expensive hull, meant that steam-packets cost twice as much to build as sailing vessels of a similar tonnage.[1] Captain Bain also gave an estimate of the operating costs of a steamboat of "100 horses power";

> "expenditure of fuel at the rate of one-half chaldron of coal per hour, wages and victualling per month £250; tonnage duty, lights, pilotage, and port charges, £200 per annum; insurance, £100 per month; small repairs and winter expenses, say £500."[2]

On top of all this had to be added a relatively high rate of depreciation,

> "a steam-vessel is calculated only at ten years' purchase, and, therefore, to renew her, we must lay aside a sinking-fund of perhaps £2,000 per annum. Besides a set of new boilers in the course of that time, which will cost not less than £1,500."[3]

Altogether, he estimated that operating a 100 horse power steamboat would cost £1,000 per month.[4] Such costs limited the operation of steamboats, in the early nineteenth century, to routes where there was a sufficient volume of valuable traffic, as in the passenger trade between London and Margate where there was a huge potential market which permitted frequent voyages with little spare capacity. Even in such favourable conditions, not all steamship operators were successful, since bouts of intense competition often led to failure. Some of the problems of steamboat operation were brought out by the report of the General Steam Navigation

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1. S. Palmer, '"The Most Indefatigable Activity" The General Steam Navigation Company, 1824-50', Journal of Transport History, 3rd series, vol. 3, No. 2, Sept. 1982.

2. Bain, op.cit., p. 544.

3. Ibid., p. 544.

4. Ibid., p. 544.

Company in 1839.

> "The expenses required to maintain steam ships in a proper state of efficiency and repair have been found to reach so large an annual amount that, of the numerous steam companies which have been formed, scarcely one has been found, upon a review of their operations for ten years, able to maintain for the average of that period, a dividend of five per cent, consistently of a proper sum to the maintenance of their capital, while in many instances, the operations have terminated in the sacrifice of almost the whole of the property embarked."[1]

It was probably because of the high initial capital cost and the high operating expenses that steamboats tended to be operated by London shipowners who would have had more opportunities of accumulating the required capital. Several companies that were based in London used the Margate Bank for the remittance of funds, but there is no trace of their having borrowed money from the bank. These firms included the Margate Steam Packet Company and the Victory Steam Yacht Company.[2] There was a small exception for the latter company in May 1822 when Cobb & Son were asked to advance £20 to the company's agent in Margate for twenty-five days.[3] One company operating on the London to Margate route that is known to have used bank finance (other than that supplied by the Margate Bank) is the General Steam Navigation Company. This was a London based joint stock company operating on a wide range of routes down the east coast and to the near-Continent. The company was formed in 1824 and the promoters were mostly London shipowners who were already operating steamboats, but also needed to adopt a joint stock organisation to raise capital

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1. Quoted in, Palmer, op.cit., p. 7.
2. KAO, U1453/B3/15/1123; U1453/B3/15/1548.
3. KAO, U1453/B3/15/2019, 15 May 1822.

for the further development of their operations. By December 1830, it had a paid-up capital of £194,610.[1] One of the promoters was a banker, Thomas Attwood, and his firm, Spooner Attwood & Co. provided the company with short term loans in the 1820s.[2]

Cobb & Son's clearest connection with the steamship business was with the New Margate and London Steam Packet Company. This was a local company formed after a public meeting held at the town hall, Margate, in August 1829, in response to the existing operators on the route having combined to raise fares.[3] A local inhabitant noted that

> "It is an undeniable fact that the value of property is enhanced by the resort of visitors whose expenditure is circulated through the Island."[4]

He also noted that cheap fares, were needed to attract visitors and that

> "without them, what are our improvements and embellishments? a mere waste! but in the New Company a better fortune awaits us. A commodious conveyance for the Visitors of this Island is the most important object at present, it has too long been left in the hands of strangers to our interests."[5]

The New Margate Company grew in the following years to become dominant on the London to Margate route by the late 1830s. In the early 1830s it was competing with the General Steam Navigation Company and the Original Steam Packet Company. The latter was acquired by the General in 1836 which then withdrew from the Margate route in 1838[6] on condition that

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1. Palmer, op.cit., p. 3.

2. Ibid., p. 3.

3. KAO, U1453/Z53/10; U1453/Z53/9.

4. Ibid., U1453/Z53/9.

5. Ibid.

6. Palmer, op.cit., p. 9, dates the General Company's withdrawal to 1838, although Pigot & Co., Directory for 1837, p. 343, only mentions the New Margate Steam Packet Company and the Herne Bay Steam Packet Company.

the New Margate Company pay them 9d. per passenger in the Summer season. This agreement continued in force until 1849 when the New Margate Company was in turn acquired by the General Steam Navigation Company. In the intermediate period a new rival, the Herne Bay Steam Packet Company had emerged by 1837.[1] By the late 1830s, the New Margate Company was carrying the bulk of the traffic, which between 1835 and 1842 varied from just under 78,000 passengers to over 108,000 passengers a year.[2] In 1837 the Margate Company was operating three ships compared with the Herne Bay Company's two, and, furthermore, the Margate Company's ships sailed every day during the seaon, and every Monday in the winter whereas the Herne Bay Company's two ships sailed on alternate days between March and the beginning of November only.[3]

Cobb & Son were bankers to the New Margate Company. Their borrowing was principally on a bond for £5,000 in November 1835.[4] Correspondence from the solicitor to the executors of one of the Company's trustees suggests that the bond was only a "surety" or "collateral security" to a mortgage for £5,000on the 'Royal George' steam packet.[5] The bond was renewed in November 1838, and paid off between 1841 and 1845; £1,000 in August 1841, £2,000 in May 1843 and £2,000 in February 1845.[6] In 1825, Bain had estimated that it would cost £20,000 to construct a steamboat.[7]

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1. Palmer, <u>op.cit</u>., p. 9; Pigot & Co., <u>Directory for 1833-4</u>, p. 853; Pigot & Co., <u>Directory for 1837</u>, p. 343.

2. Whyman, <u>op.cit</u>., p. 550.

3. Pigot & Co., <u>Directory for 1837</u>, p. 343.

4. <u>LBA</u>, A20 b/31, Bond No. 214.

5. <u>KAO</u>, U1453/B3/15/768, 13 December 1837.

6. <u>LBA</u>, A20 b/31, Bond No. 214.

7. Bain, <u>op.cit</u>., p. 544.

In quoting such a figure he was probably thinking of the vessels on the much longer Leith to London route rather than those plying the Thames. Figures of between £16,000 and £20,000, however, do not appear to have been uncommon, although the early Margate steamer, 'Thames' of 1815, cost as little as £4,050.[1] The New Margate & London Steam Packet Company started with a capital as small as £30,000,[2] and by the following year had three steamboats.[3] This would suggest that the Margate Bank's £5,000 was a significant contribution to the Company's finances. In addition, the Margate Bank invested £1,000 in a debenture of the Company in November 1835, although this was sold after one month.[4]

Another borrower connected with the steam-shipping business was Jeremiah Stranack, who, in 1838, was described as the late master of the steamboat 'Superb' belonging to the General Steam Navigation Company.[5] The Stranack family had a lengthy association with the sea. A Henry Stranack was listed in a trade directory of 1811 as a master mariner, and he and James Stranack were both operating packet boats between Margate and Ostend in 1815, 1816 and 1817.[6] By the 1820s, Cobb & Son were receiving correspondence from a James Stranack in Ostend, a Robert J. Stranack of

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1. P.S. Bagwell, The Transport Revolution from 1770, (1974) pp. 68-69.
2. KAO, U1453/Z53/10.
3. Ibid., U1453/Z146/1.
4. LBA, A20 b/31. Note No. 367.
5. KAO, U1453/B3/15/1876, 24 February 1838.
6. Ibid., U1453/B3/15/2007, 24 July 1815; U1453/B3/15/2006, 30 January 1816; U1453/B3/15/2009, 1 December 1817; Holden's Directory for 1811.

London and Leith, and an E. Stranack, also of Leith.[1] The Stranack brothers were in partnership as general dealers and commission agents up to 1845[2] and the evidence suggests that they also had an interest in shipping. In 1823, for instance, Robert J. Stranack informed Cobb & Son that they had every prospect of recovering their money on the vessel 'Regent' of Leith, and, in the same year, that he would make his last voyage to Rotterdam on 14 November.[3] In 1825, James Stranack wrote to Cobb & Son from Ostend,

> "I have to acknowledge & thank you for the credit already given to my Brothers John Stranack & Jeremiah Stranack on my account which I hereby sanction & shall be further obliged to you to pay honor to the Chks or Dfts of either of them respectively for my account for such further sums as they may apply or draw on my acct."[4]

Jeremiah Stranack, who is known to have been a steamboat captain, borrowed £100 from the Margate Bank for at least two years, paying £5 in interest in February 1826 and January 1827.[5] Following one of the worst crises of the century in 1825, these were difficult years for many businesses, and Cobbs must have received many such requests for temporary assistance. At a slightly later date there is evidence of Stranack having discounted bills with Cobb, three in November 1827 to the value of £218. 10s., and in January 1828 another bill for £193.[6]

Transport Infrastructure & Local Government

As well as financing transport operators to varying degrees, the Margate Bank played a part in the provision of transport infrastructure

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1. KAO, U1453/B3/15/1875; U1453/B3/15/1876; U1453/B3/15/1874.
2. Ibid., U1453/B3/15/1875, 10 March 1845.
3. Ibid., U1453/B3/15/1876, 23 March 1823, 13 October 1823.
4. Ibid., 30 September 1825.
5. LBA, A20 b/36.
6. Ibid.

by assisting in the finance of turnpike trusts, the Margate Pier and Pavement Commissioners and, later, the Margate Pier and Harbour Company. Besides providing deposit and remittance facilities, Professor Pressnell identified three ways in which country bankers assisted improvement commissions and transport developments.

> "In ascending order of importance, and in descending order of frequency, these were: first, by supporting the original promotion, or by subsequently becoming trustees, or members of management committees; second, by subscribing to the initial capital, or by otherwise acquiring shares; third, by loans or overdrafts in times of need."[1]

From the 1790s it became quite common to appoint bankers as treasurers to turnpike trusts. Such appointments served to enhance the reputation of trusts in the eyes of the investing public while possibly also opening the way for direct bank finance. By 1834 it is known that at least 419 out of 1,039 trusts employed bankers as treasurers.[2] In east Kent, country bankers were keen to gain appointments as treasurers to both turnpikes and improvement commissions. In 1787, for instance, Cobbs were in competition with the Dover Bank to have one of their connections appointed as treasurer to the Canterbury Paving Commissioners and to provide it with finance. Cobbs' agent in Canterbury, William Epps, wrote in March

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1. L.S. Pressnell, Country Banking in the Industrial Revolution, (1956), p. 372.

2. *Ibid.*, p. 270.

1787 :

> "I understand that you have offered to advance what money they may want on the new paving act but that preference will be given to the Dover Bank if Simmons is chosen Treasurer to the Commissioners of the Pavement, for which office he is a candidate - but we have started one against him and think we shall succeed as we find he will have but few Friends except the Corporation and they do not make one fourth of the number of Commissioners."[1]

Cobbs do not seem to have acted as treasurers themselves for any turnpikes, although they were treasurers to the Margate Pier and Paving Commissioners who, among several other functions, had the responsibility for the upkeep of some of the roads out of Margate. Other east Kent bankers certainly were appointed as treasurers to turnpikes. In 1833, John Oakley Burgess of the Ramsgate bank of Burgess & Co. was treasurer to the second district of the Canterbury to Ramsgate turnpike;[2] William Hulke of the Deal Bank was treasurer to the Dover, Deal and Sandwich turnpike;[3] and Henshaw Latham of the Dover Union Bank was treasurer to the Dover, Waldershare and Sandwich turnpike.[4] The main attraction of holding such accounts must have been that turnpikes brought extra business to a bank. Between 1822 and 1840, the average balance in the hands of Burgess as treasurer to the Canterbury to Ramsgate turnpike was £270, the average for William Hulke was £239 and for Henshaw Latham £102.[5] The only instances of the accounts being overdrawn were in 1840 (£18)[6] for the Canterbury to Ramsgate trust, and 1838 (£11) for the Dover, Waldershare to Sandwich trust.[7] There is evidence of other banker - treasurers having

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1. KAO, U1453/B3/15/624, 30 March 1787.
2. Ibid., Q/RUt/10.
3. Ibid., Q/RUt/17.
4. Ibid., Q/RUt/18.
5. Ibid., Q/RUt/10; Q/RUt/17; Q/RUt/18.
6. Ibid., Q/RUt/10, 31 December 1840.
7. Ibid., Q/RUt/18, 31 December 1838.

granted greater overdraft facilities for rather larger amounts. One of the partners of the Taunton Bank, Woodforde & Kinglake was the treasurer and clerk to a turnpike which had an average balance due to the treasurer of £429 between 1801 and 1807. The treasurer gave further advances totalling £7,200 between 1821 and 1824.[1] Other examples of this sort of lending include the Craven Bank and the Yorkshire portion of the Keighley and Kendal turnpike, and the Liverpool Bank of Heywood, Sons & Co. to the Prescot and Liverpool turnpike.[2] Professor Pressnell writes that this sort of lending,

> "in comparatively small sums for short periods, was characteristic of the benevolent attitude of bankers towards turnpikes: a helping hand, and occasionally a hand dug deeply into the firm's pockets to make short-term advances."[3]

There is no evidence that the Margate Bank gave such assistance to turnpikes but, as will be pointed out later, this was certainly one of the ways in which they financed the Margate Pier and Pavement Commissioners.

While country bankers often played an active part in turnpike promotion and administration they are not generally thought to have been particularly important as long term investors. According to Dr. Albert, the most important investors were landowners, merchants and manufacturers, and of these groups, the agricultural interest was usually the most important. Londoners, tenant farmers, country gentlemen, yeoman farmers and the aristocracy, he says, were rarely overshadowed by other investors.[4]

He does add though, that the title 'gent' may hide some merchants, manufacturers and attorneys.[5] He might also have added that the term

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1. Pressnell, <u>op.cit</u>., pp. 386-387.

2. <u>Ibid</u>., pp. 388-389.

3. <u>Ibid</u>., p. 388.

4. W. Albert, <u>The Turnpike Road System in England 1663-1840</u>, (1972) pp. 101-103.

5. <u>Ibid</u>., p. 103.

could also include some bankers, and that some of the brewers, drapers and attorneys, etc., could also have been bankers. Nevertheless, bankers were probably not attracted by turnpike investment on any great scale. The securities offered could not be easily turned into cash and the rate of interest, which in east Kent appears to have normally been 5 per cent., did not make them any more attractive than advances to the other local customers who were generally in a better position to repay the principal. Few turnpikes seem to have set up a sinking fund to pay off their debts, and though the rate of return on turnpike bonds was frequently higher than on government securities, the lack of a ready market for them must have discouraged most bankers from investing to any great extent. Some turnpikes, particularly those promoted from the 1790s onwards on minor routes, were falling behind on interest payments, especially in the 1820s, and the 1830s, when the unpaid interest of the turnpikes of England and Wales amounted to £1,123,623.[1] One turnpike in the Weald of Kent, the Headcorn turnpike, had a debt of more than £20,000 in 1836, on which it had failed to pay any interest for over twenty years.[2] These factors, taken together, help to explain why the circle of turnpike investors was largely confined to those who would benefit most directly from the improved roads.

According to Dr. Albert, country bankers were giving "marginal support" to long term turnpike investment from the 1790s.[3] The amounts were generally small and would fit in with Professor Pressnell's view

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1. E. Pawson, Transport and Economy: The Turnpike Roads of Eighteenth Century Britain, (1977), pp. 214-215.

2. HLRO, Minutes of Evidence, South Eastern Railway Bill, HC, 1836, Vol. 36, Mr. William Hinds.

3. Albert, op.cit., p. 107.

that "in many cases it had the appearance of being a gesture to local patriotism."[1] Albert has also quoted some Kentish examples of such lending. Peter Fector of Minet, Fector & Co. of Dover, for instance, invested £300 in the Canterbury to Barham trust in 1799, and in 1800, with Peter Fector, invested £300 in the Dover, Deal and Sandwich trust. Another investor in the latter trust was John Brooman of the Isle of Thanet Bank in Margate. He adds, though, that these investments were probably personal rather than bank advances.[2] Looking from the bankers' point of view, Dr. Munn found that the Scottish provincial banking companies gave cash accounts to people responsible for the building of roads and that there were numerous references to loans to turnpike trusts.[3]

The Margate Bank made investments in the bonds of local turnpikes. Cobbs themselves stood to gain from improved roads and reduced transport costs, for their brewing business had retail outlets scattered over north-east Kent and also depended on local roads for the supply of much of its raw materials. All their businesses stood to benefit from more efficient and quicker postal and carrier services on the roads to Ramsgate, Dover, Canterbury and London.[4]

In 1808, the Margate Bank had a mere £150 invested in turnpike bonds; £50 in the 'Dover turnpike' and £100 in what was simply described as the 'Turnpike Road'.[5] Later, in December 1813, these investments had increased to £550; £500 in the 'Sandwich Turnpike' and £50 in the 'Dover Turnpike'.[6]

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1. Pressnell, op.cit., p. 381.

2. Albert, op.cit., pp. 107-108.

3. C.W. Munn, The Scottish Provincial Banking Companies, (Edinburgh, 1981), pp. 206-207.

4. For a discussion of the economic benefits of turnpikes see, Pawson, op.cit., pp. 281-339.

5. LBA, A20 b/2, p. 13.

6. Ibid., pp. 123-125.

A register of bonds of 1835 shows that the £50 'Dover Turnpike' bond was dated as early as 29 March 1798 and that it was not sold until 1843.[1] The 'Sandwich Turnpike' bonds do not appear in the 1835 register, but there is one bond for £100 of the 'Trustees of the Second district of Turnpike Road from Cant$^{ry}$ to Ramsg$^{te}$'. This was taken by the bank in January 1821 and disposed of in two parts in 1843.[2]

Cobb & Son's investments in turnpike bonds were on a small scale and fit in with the view that such investments were primarily "patriotic gestures". Except for the Canterbury to Ramsgate turnpike, the descriptions of the bonds are not accurate enough to indicate exactly to which turnpike roads Cobbs had subscribed, but it is clear that their investments could only have accounted for a marginal proportion of the debts of each trust. In the 1820s and 1830s, the second district of the Canterbury to Ramsgate turnpike had debts of just under £5,000, and the turnpike from Sandwich to Ramsgate and Margate had a debt of just under £10,000.[3] The two roads between Sandwich and Dover had debts of between £5,500 and £6,500, (via Deal)[4] and about £3,000 (via Waldershare).[5]

Although no evidence has been found to suggest that Cobb & Son acted as treasurers for turnpikes, there is a little evidence of short term lending for road maintenance, besides that given to the Pier & Pavement Commissioners. This was given to the parish authorities rather than turn-

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1. LBA, A20 b/31, bond No. 4.
2. Ibid., bond No. 129.
3. KAO, Q RUt/56.
4. Ibid., Q RUt/17.
5. Ibid., Q RUt/18.

pikes. In 1819, for instance, it is recorded that £57. 12s. 7d. was paid in interest on the overdrawn 'Highway account' for the year 1818.[1] In 1836, £200 was advanced to John Boys and Smithett for nine months in their capacity as surveyors of the highways of the parish of St. John.[2] There may be more evidence of this kind of lending both to parish highway officials and turnpike officials, but the limited amount of information recorded in the bank's ledgers means that it is generally difficult to trace. There are a few examples of Cobb & Son holding parish bonds although the purpose of such borrowing is unknown. In 1808, £450 was invested in parish bonds, and £350 in 1813.[3] By 1835, the amount invested in such bonds had fallen to £250; made up of five bonds of the Parish of St. John's at £50 each. These had been taken by the bank in 1813 and were not redeemed until the 1830s; three in 1836 and two in 1837.[4]

Of greater significance for Cobbs were the Margate Pier and Pavement Commissioners and the Margate Pier and Harbour Company. The Pier and Pavement Commissioners were just one of the 300 boards of improvement commissioners established between 1748 and 1835 in nearly every major urban centre. The Webbs described such improvement commissioners as

> "the starting-point of the great modern development of town government. And it is these Improvement Commissioners, not the Mayor, Alderman and Councillors of the old corporations, who were the progenitors of nearly all the activities of our present municipalities."[5]

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1. LBA, A20 b/36.
2. Ibid., A20 b/31, Note No. 372.
3. Ibid., A20 b/2, pp. 13, 123-5.
4. Ibid., A20 b/31, Bond Nos. 16, 17, 18, 34, 35.
5. S. and B. Webb, Statutory Authorities for Special Purposes, (1922), pp. 235-236, 242-243.

These bodies, each set up by a private Act of Parliament, were given borrowing powers, usually up to a fixed limit, and a power to levy a local rate up to a prescribed maximum. The simplest form of commissioners were set up for paving, lighting and clearing the principal streets, but other services might be added including the provision of night watchmen, the removal of obstructions and encroachments, the licensing of sedan chairs and hackney coaches and the making of bye-laws for the good order of the town. The more ambitious constructed sewers to carry away flood water, levelled and widened the main streets of their towns, made provision for the supply of water, and in the most forward looking towns, made a pioneering contribution to sanitary reform.[1]

These boards of commissioners varied widely in their effectiveness. Some rarely met and were quite ineffective while others were pioneers in public health and sanitation. The Margate Commissioners were certainly among the more effective, no doubt because the prosperity of the town depended to a considerable extent on their exertions. This is most clearly seen in the commissioners' responsibility for the pier and harbour. Commenting on the rebuilding of the pier in 1811, one inhabitant, Mr. Jarvis, said that the people of Margate "have a great stake in the cause - no less than the very existence of the place."[2] The pier was important for both the agriculture of the Isle of Thanet and the development of Margate as a resort. It was from the pier that the corn of the island was exported to the London market and it was the arrival and departure point for the majority of visitors. Margate also depended on the protection the pier

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1. S. and B. Webb, op.cit., p. 246; B. Keith-Lucas, The Unreformed Local Government System, (1980), pp. 116-118.

2. KAO, Minutes of the Margate Pier and Paving Commissioners, 23 December 1811.

gave the town from the stormy seas whipped up by the north-easterly gales of the winter.

The pier and harbour were the commissioners greatest single financial investment and were placed under their authority by the first improvement Act of 1787.[1] As well as powers for paving the town, this Act granted powers for general improvements and lighting, so that by 1798 the town had 120 lamps.[2] The commissioners also maintained a public market, the powers for which were obtained by Francis Cobb and John Baker as "wardens of the pier and their successors", in 1777.[3] Initially, the inhabitants were empowered to hold a market every Wednesday and Saturday for the sale of fish, fruit and vegetables, but business expanded so that the market opened daily, and the old market building was demolished and replaced by a new one in 1820.[4] Responsibility was also taken for the road out of Margate to the west towards Birchington. Powers to build a road across the marshy area known as the Brooks were obtained under the second Improvement Act of 1799.[5] In 1809, the commissioners resolved "to widen and render secure the New Road across the Brooks", provided enough money could be raised by public subscription.[6] The minutes of the following year refer to two roads to Birchington, the lower road, close to the sea via Westgate, and the other, the upper road, via Garlinge and

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1. Webb, op.cit., p. 241; Whyman, op.cit., p. 103.

2. KAO, Minutes of the Margate Pier and Paving Commissioners, 14 November 1810, 28 November 1810; the Kentish Gazette, 24 July 1798.

3. Whyman, op.cit., p. 397; G.W. Bonner, The Picturesque Companion to Ramsgate, Broadstairs and Margate, (1831), p. 64.

4. Bonner, op.cit., p. 64.

5. Whyman, op.cit., p. 229.

6. KAO, Minutes of the Margate Pier and Pavement Commissioners, 27 November 1809.

Street.[1] In that year it was proposed that the upper road should be made twenty feet wide "raised where necessary and made a substantial winter road". This involved the purchase of land as the existing road was no more than a bridle path.[2] It was also proposed that the lower road should be made passable.[3] How much progress was made is uncertain, but in the following April it was resolved that no more money was to be spent on the roads beyond the street lights of the town than was raised by the Highway rate. They then applied to the magistrates at Dover for an additional highway rate of 3d. in the £ to complete the repairs.[4]

The commissioners' most serious and persistent financial problems arose from the requirements of the pier and harbour for maintenance and development. These problems were already acute by the middle decades of the eighteenth century and the "rebuilding or remodelling" of the pier was one of the principal reasons for setting up the improvement commission in 1787.[5] Further Acts followed in 1799, 1809 and 1812, when the pier was separated from the improvement commissioners and vested in a joint stock company.[6]

The Cobbs' association with the pier pre-dated both the setting up of the improvement commissioners and the establishment of the Margate Bank. Francis Cobb I was a pier warden and treasurer at least as early as 1775.[7]

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1. KAO, loc.cit., 3 October 1810.
2. Ibid., 3 October 1810, 10 October 1810.
3. Ibid., 10 October 1810.
4. Ibid., 18 April 1811, 20 April 1811. Another function of the commissioners was the regulation of traffic. A fine of 10s. was imposed on William Grayling on 11 September 1811, for instance, for leaving his carriage in Market Street, blocking the road.
5. G.W. Bonner, The Picturesque Companion to Ramsgate, Broadstairs and Margate, (1831), p. 45.
6. Whyman, op.cit., p. 103.
7. KAO, U1453/053/1.

Francis Cobb I, with a John Baker, acted as joint treasurers to the pier wardens and, in that capacity, financed any deficits on the accounts. In 1776, for instance, the treasurers were owed a balance of £27.10s. 5d.[1] In the following year this increased to £253.14s. 11½d.[2] From the year 1777-1778, Francis Cobb I was the only person listed as financing the pier in this way, and, as building work began at this time, the deficits increased.[3] In 1778-1779, over £1,600 was raised by public subscription for building work on the pier, and, although Francis Cobb I was not listed among the subscribers, his short to medium term commitments increased. At the end of the year only £27.1s. 5½d. was outstanding to the treasurer, but the balance due to Francis Cobb from the previous year, £146.19s. 6d. was only paid on the day that the accounts were made up. On top of this Francis Cobb, during the course of the year, had advanced £312 for five months and £37 for four months for the purchase of timber and other materials.[4] The balance due to the treasurer increased to £255.11s. 7d. in 1779-1780, and further sums of £296 for one year and £200 for three months were also advanced.[5]

The next ledger for the pier commissioners dates from 1810 when Francis Cobb II was the treasurer. In 1808 the pier was blown down during a gale. The subsequent attempts to rebuild the pier were frustrated by a shortage of finance, despite a Parliamentary grant of £5,000, and the treasurer had to shoulder much of the burden. The figures

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1. KAO, loc.cit.
2. Ibid.
3. Ibid.
4. Ibid.
5. Ibid.

for the amounts due to the treasurer were of a much greater magnitude than they had been back in the eighteenth century. In November 1810, Francis Cobb II was owed £1,313. This increased to £6,440 by May 1811, and further to £12,504 in September 1811. The deficit was reduced to £5,342.15s. 5d. at the end of October by the payment of calls on pier bonds, but by May 1812, the deficit had again increased, this time to £8,170.7s. 7d.[1] The state of this particular account was a cause of much concern to the Cobbs and Francis Cobb was no doubt among those who advocated the formation of a joint stock company to solve its financial problems. In his 'Memoir of the late Francis Cobb...', William Cobb wrote that

> "The records of this period contain the effusions of a mind struggling with difficulties, often deeply depressed, always humble and resigned. The prominent part which a sense of public duty led him to take in the affairs of the new pier, exposed him to the violence of the opposing party; whilst the large advances made by him as treasurer to the Pier and Harbour Company, and the heavy expenditure in which the new brewery had, beyond expectation, involved him, made him peculiarly sensible of the very depressed and alarming state of things in the mercantile world."[2]

In addition to financing the deficit on the pier accounts, Cobb & Son also held a substantial amount of pier securities. In December 1813, after the pier had been separated from the improvement commissioners and vested in the Margate Pier & Harbour Company, the Margate Bank held £6,200 worth of pier securities, £3,400 of which was in the newly formed Company's shares.[3] The need to form a company arose from the difficulties experienced in trying to raise money on bonds at 5 per cent, when interest

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1. LBA. A20 b/46; see also HLRO, Minutes of Evidence on the Margate Pier Bill, HL 1812, vol. 2, p. 14.

2. W.F. Cobb, Memoir of the Late Francis Cobb of Margate, (Maidstone, 1835), pp. 58-59.

3. LBA, A20 b/2, pp. 123-125. The remainder were bonds taken over from the Commissioners.

rates were high. The pier was a large project dependent on public subscription. Construction costs were uncertain and, with the rate of interest on its bonds being subject to a legal limit of 5 per cent., investors regarded it as an unfavourable investment when the yield on more marketable government securities was close to 5 per cent. The yield on 3 per cent. Consols, for instance, rose from 4.5 per cent. in 1810 to 5.1 per cent. in 1812, and stayed close to 5 per cent. until 1816.[1] An appeal to the public for £4,000 in November 1811 was reasonably successful with £3,800 being raised. This was subscribed by ten persons, who were probably parties directly interested in the pier.[2] The scale of the works, however, meant that the commissioners had to raise much larger sums from a wider circle of investors. This could only be done by offering a higher rate of return. A second appeal for £1,500 on bonds at 5 per cent. was a complete failure.[3] In June 1812, the pier's engineer, John Rennie, stated that a further £30,000 would have to be raised to complete the pier.[4]

At this stage in its development, the pier provides a good illustration of Professor Ashton's view of the importance of the rate of interest in influencing the pace of investment in transport improvements.

> "When the government was living within its income they could usually obtain funds at, or below the legal rate of interest: when it was drawing heavily on the market they had difficulty in getting money at all. For this reason, among others, the

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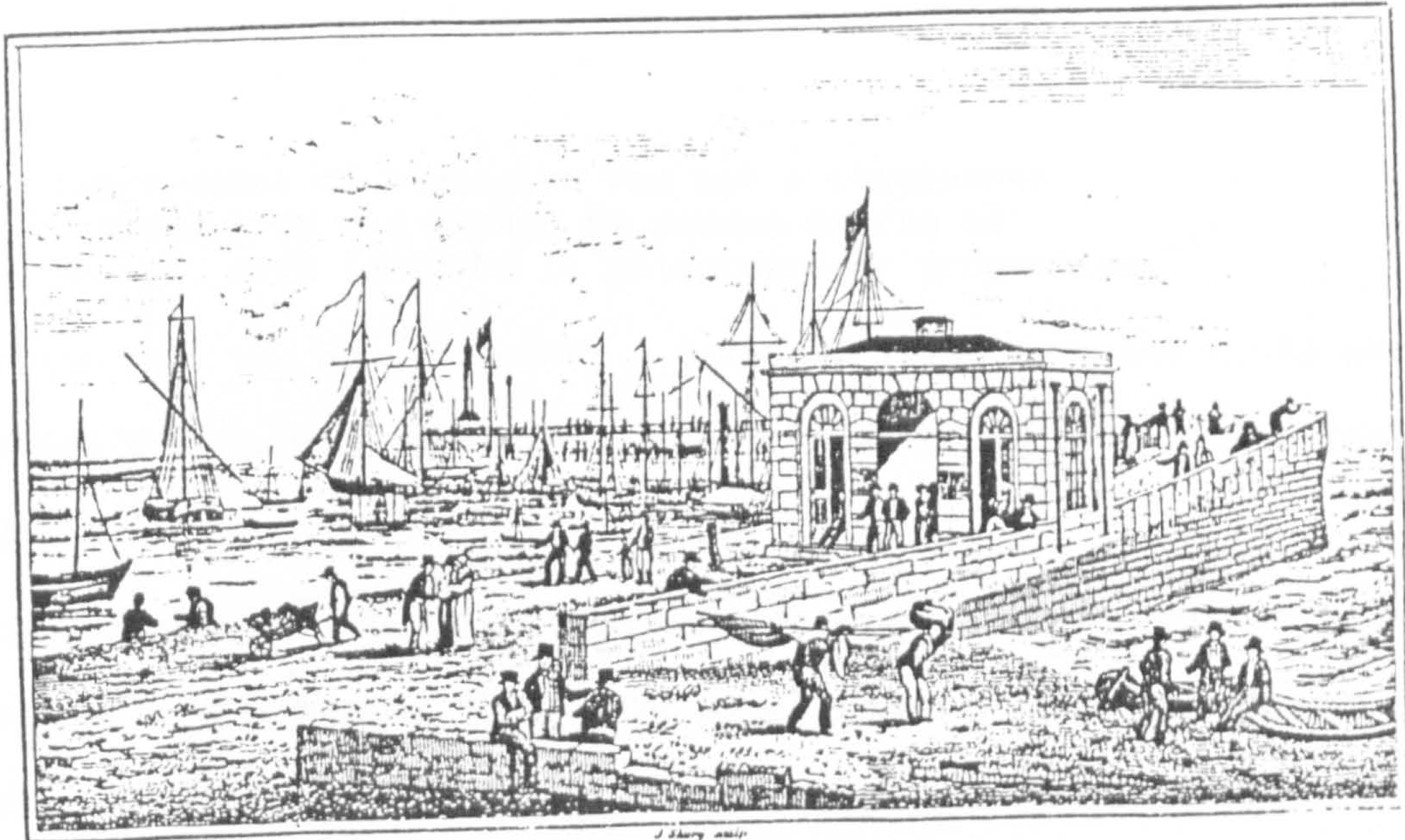
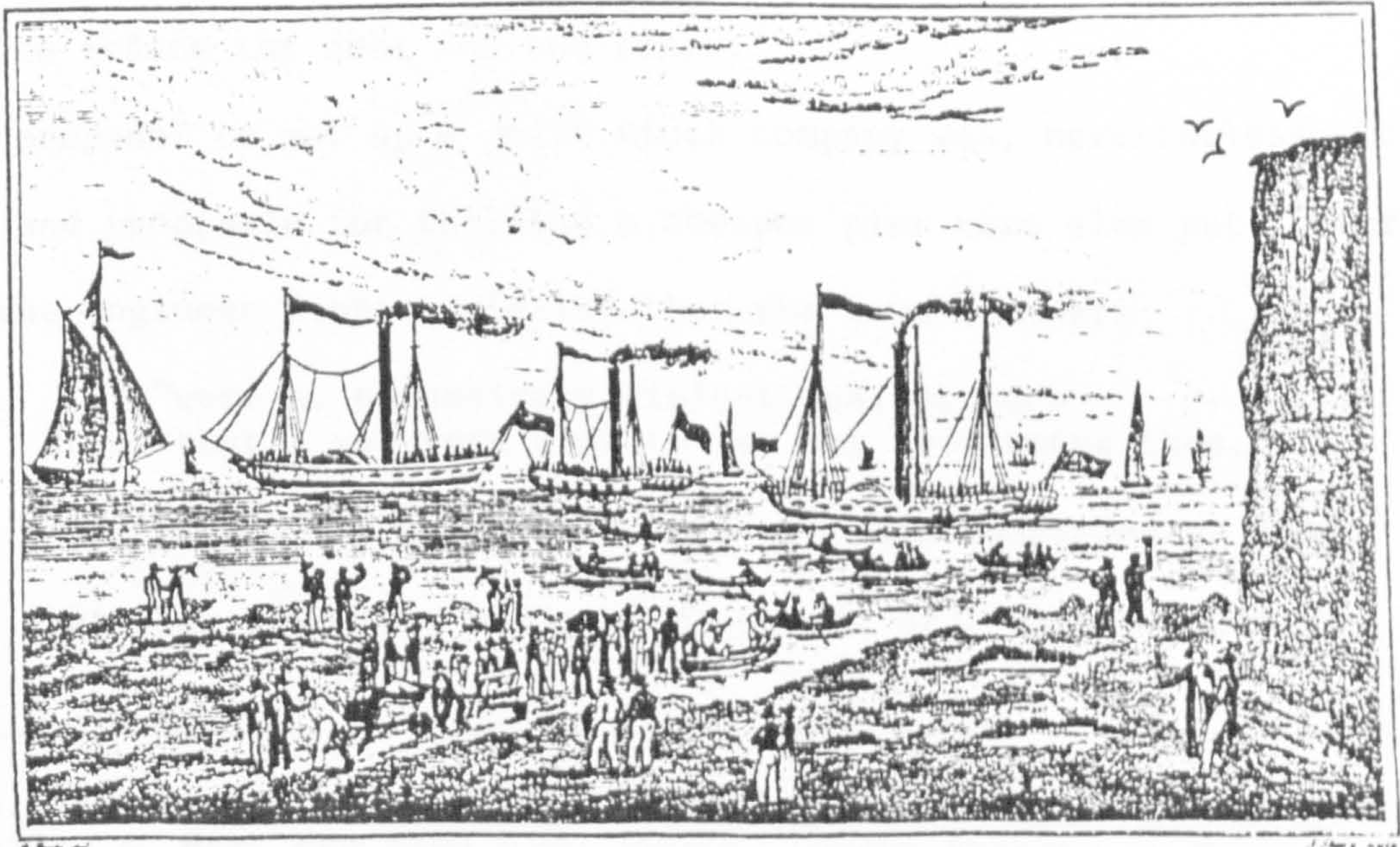
1. B.R. Mitchell & P. Deane, Abstract of British Historical Statistics, (1962), p. 455.

2. HLRO, loc.cit., vol. 3, pp. 4-5.

3. Ibid., pp. 4-5; KAO, Minutes of the Margate Pier and Pavement Commissioners, 23 December 1811.

4. HLRO, loc.cit., vol. 2, p. 6.




Top- Margate Pier & Harbour in 1820

Bottom- The steamboats at Margate in 1820. The latter illustrates the problem of the tidal nature of Margate harbour. This was solved by the Pier & Harbour Company constructing 'Jarvis's landing place' in 1824.

Source: W. C. Oulton, Picture of Margate, (2nd ed., 1821).

> improvement of transport was not a continuous process: it was marked by sudden spurts of energy, each followed by quiescence or stagnation."[1]

Margate pier was not, however, a marginal investment and could potentially offer investors a much higher return than could be obtained from the funds.

The separation of the pier from the improvement commissioners solved this problem as investments in a joint stock company were not subject to the 5 per cent. limit of the Usury Laws as were loans to trustees or commissioners. Investors in new pier shares were offered the prospect of a return of 10 per cent. per annum which could be achieved by increasing the landing fees charged to pier users by 60 per cent. The dividend was limited to a maximum of 10 per cent., but even with such a high dividend it was estimated that £1,000 would be available each year to set up a sinking fund to reduce the debt and the rates.[2]

The proposal to set up a joint stock company was, nevertheless, hotly disputed and proposals for building a cheaper pier were also put forward. Indeed, the engineer Rennie, claimed that the commissioners

> "were so excessively violent against each other that I was very glad to get out from among them."[3]

The pier company was a success; the pier was completed by 1815,[4] and from that year investors recieved dividends of 10 per cent. in most

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1. T.S. Ashton, An Economic History of England: The 18th Century, (1959), p. 84; see also D.M. Joslin, 'London Bankers in Wartime 1739-84', and, L.S. Pressnell, 'The Rate of Interest in the Eighteenth Century', both in, L.S. Pressnell, Studies in the Industrial Revolution, (1960).

2. KAO, Minutes of the Margate Pier and Harbour Commissioners, 23 December 1811, 2 January 1812.

3. HLRO, loc.cit., vol. 2, pp. 10-11.

4. Bonner, op.cit., p. 46.

years through the 1820s and 1830s.[1] Such was the financial strength of the company, that in 1824 it was able to build an additional iron jetty, known as Jarvis's landing place, out of profits and still pay dividends of 8 per cent. in 1824 and 10 per cent. in 1825.[2] Cobb & Son's bond register for the late 1830s reveals that the Margate Bank still held 5 per cent. pier bonds to the value of £1,500, and that these were not sold off until 1853.[3] The same register also shows Cobb to have held a bond of the Paving Commissioners, "a/c New Market" for £200 from 1821 until 1858.[4] By the 1850s, Cobbs appear to have considered such investments to be no longer appropriate for the bank as all the pier and improvement commissioners' bonds were sold off to Francis William Cobb. This was in accordance with the orthodox maxims of good banking in the period. Gilbart, for instance, was of the view that;

> "Bonds of corporations, or of public companies, are by no means proper investments for a banker, except to a very moderate amount, and when they have a short time to run. They may, however, be taken as security for temporary advances to respectable customers."[5]

The Margate Bank made a significant contribution to the finance of a wide range of transport facilities which in turn had an important part

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1. *LBA*, A20 b/46.

2. *Ibid*.

3. *Ibid*., A20 b/31, Bond Nos., 1, 2, 12, 99.

4. *Ibid*., Bond No. 132.

5. J.W. Gilbart, *The History, Principles, and Practice of Banking*, (1882), vol. 1, p. 299.

to play in the economic development of the area. Of the various borrowers, the corn dealers and goods hoy proprietors must have received a high proportion of their financial requirements from Cobbs, as also did the local coach proprietors. The pier and harbour of Margate also received significant assistance over a long term from Cobbs' Bank, although in this case bank finance was less important than subscriptions from the public. The timing of the assistance from Cobbs though, was critical, as bank finance was made available at times when construction work was in danger of being stopped through private investors being unwilling to subscribe. The Margate Bank's contribution to the provision of passenger sailing vessels, steamboats and turnpikes was generally more marginal although there were one or two exceptions, viz., the accounts of the sailing packet owner, Henry Covell, and the New Margate and London Steam Packet Company.

## Shipbuilding

Shipbuilding in the Isle of Thanet in the eighteenth and early nineteenth century was concentrated in Broadstairs and closely associated with the White family. Shipbuilding in this area can be traced back to the seventeenth century and flourished in the eighteenth century. By 1786, Thomas White was said to employ many hands, and as well as building boats for local fisherman and the customs and excise, he had produced "some of the best East and West India Vessels."[1] These were among the largest vessels of the period. Between 1787 and 1824 an average of 245 tons of shipping was built in this yard per year, including eight brigs of between 100 and 160 tons each, and several sloops.[2]

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1. Quoted in, J. Whyman, op.cit., (Kent, Ph.D., 1980), p. 29.
2. Ibid., pp. 28-30.

A few items of correspondence show that Cobb & Son were transacting banking business with this firm between 1787 and 1802. The earliest letter, of 9 June 1787, enclosed a draft for discount.[1] The rest of the correspondence indicates that the discounting of bills and drafts was the usual form of accommodation to this firm,[2] while in 1802, White asked Cobbs for extra time before he was required to take up several bills "there being more Extra Work laid out to do the New Brig".[3] The amount of the bills concerned and the period of time before their maturity were rarely mentioned in the covering letters. Two bills that were mentioned were for the relatively small sums of £50 each.[4]

The Margate Bank's most striking link with the shipbuilding industry was with a private dockyard building ships at Plymouth for the Royal Navy. Family connections were important here, as the yard's owners, Peter and Isaac Blackburn, were brothers of the second Francis Cobb's second wife. Most of the financial aspects were dealt with by Peter Blackburn, who was described as a merchant. His exact line of business is not known, but he must have been prosperous, for as well as a Ramsgate address at 5, Chatham Place, he also had a London address at 17, Bloomsbury Square, one

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1. KAO, U1453/B3/15/2100, 9 June 1787.

2. Ibid., 22 April 1793 and two undated items; U1453/B3/15/2102, 10 June 1802.

3. Ibid., 8 January 1802.

4. Ibid., U1453/B3/15/2100, Two letters, both undated.

of the smartest districts of the Metropolis. The dockyard was run by Isaac Blackburn.

The demand for warships during the Napoleonic Wars could not be met by the Navy's own dockyards alone. The Royal Dockyards were busy with maintenance and repair work, so the construction of smaller warships, 3rd and 4th rate battleships, frigates, brigs and gun boats was contracted out to private builders. The Royal Dockyard at Chatham, for instance, constructed only 14 warships during the Napoleonic Wars. These included four 1st rate battleships and probably accounted for the most important ships launched on the Medway in these years, but in the same period, nine private yards delivered 70 ships to the Royal Navy.[1] At the end of the wars private building of Naval vessels on the Medway came to an abrupt end while in Plymouth, the Blackburns were similarly faced with a sudden termination of contracts.[2]

Cobb & Son's connection with the Blackburns' shipbuilding enterprise commenced in January 1807 when they complied with a request for the discount of a bill for £1,000.[3] The subsequent correspondence gives a fascinating glimpse of the problems of financing a private dockyard during this period and the use of accommodation bills. Partnership and family connections were a common way of mobilising the bank funds of one district to finance an industrial enterprise in another.[4] Such links could,

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1. J.M. Preston, Industrial Medway, (Chatham, 1977), pp. 32-35.
2. Ibid., p. 34; see below.
3. KAO, U1453/B3/15/151, 20 January 1807, 22 January 1807.
4. See the examples of the Faversham bank of Tappenden & Co., and the Taunton Bank in Pressnell, op.cit., pp. 308, 342, 387, 471.

however, lead a banker into dangerously over-committing his resources with the result that they would be difficult to liquidate in a hurry. The Blackburns experienced favoured treatment from Cobbs, as was acknowledged by Peter Blackburn in the first year of their transactions, when he admitted "I could not ask the same indulgence from others that I have experienced from yourself".[1]

In 1807, the Blackburns had a government contract to build two 74 gun warships. The contract was said to be a "very advantageous one",[2] but it required a large outlay on raw materials while the Navy would only pay in instalments on completion of specified portions of the work. On requesting an advance of £1,000 on a bill in 1807, Peter Blackburn commented that the contract required

> "a large advance of capital in the purchase of Timber & materials, and having already expended upwards of twelve thousand pounds & not expecting payment from the Navy Board these four or five months hence, when we shall be in receipt of eighteen thousand pounds, the present accommodation would be acceptable to me."[3]

The bill referred to was simply an acceptance by Peter Blackburn payable in six months. Despite his original intention to repay the money a month or two early, repayment did not actually take place until the middle of September.[4] This was a result of delays caused by difficulties in moving raw materials to the yard. Timber was bought in South Wales and sent by barge from Chepstow around the south-western peninsula to

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1. KAO, U1453/B3/15/151, 13 July 1807.
2. Ibid., 20 January 1807.
3. Ibid.
4. Ibid., 22 January 1807, 7 July 1807, 13 July 1807, 28 August 1807, 19 September 1807.

Plymouth, but a dry Summer caused lengthy delays.

> "The want of rain has so lowered the Water in the Severn, as to prevent the Barges from floating down the River with some Timber, which should otherwise have arrived at Plymouth two months since and its non arrival has occasioned the payments from the Navy Board for building the 74 Gunship to be protracted to a long & very protracted period, or I should have returned you ere now the sum you were so obliging to favor me with, but I am given to understand it may be some weeks before the Timber can be got down and until the payments from the Navy Board come round... I am so circumstanced from the very considerable advance I am under, that it will not be in my power to refund - I must therefore request your indulgence to let me renew the bill a few weeks longer."[1]

Such problems must have been common in an age when businessmen were so heavily dependent on water transport. In June 1809, work was again delayed and Navy Board payments consequently postponed because of the unreliability of the transport system. This time timber was being delayed in the Bristol Channel by west winds and Blackburn needed cash to pay off bills falling due that week. The security offered for a loan was the same as before; Blackburn accepted a bill for £1,476.10s. at two months date.[2]

The Blackburns found that their resources were greatly stretched in financing the building of the two warships. The cost of work and materials alone was said to amount to £120,000, and absorbed all the funds they could command.[3] Consequently, when they were offered a supply of oak timber by a nobleman in the country who required payment in advance, they had to rely on Cobbs' assistance. It was not really convenient for Cobb & Son to advance money at this time, early in 1808, as they had themselves

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1. KAO, 7 July 1807.
2. Ibid., 19 June 1809, 21 September 1809.
3. Ibid., 21 March 1808.

recently undertaken a considerable outlay in the purchase of the brewery and public houses in Deal, while there is also some evidence that the bank was short of liquid reserves in that year.[1] Instead, the use of accommodation bills was taken a stage further. Cobb gave Peter Blackburn a bill at 2 months which he could discount in London to raise cash. As a security and acknowledgement of the debt, Blackburn gave Cobbs a post-dated cheque drawn on his bankers, Down & Co., that would become payable a few days before the bill was due.[2] For their trouble, Cobbs received the "usual commission" of 1/8 per cent., while the expense of postage, amounting to £2, was paid by Blackburn.[3] The first bill Cobbs accepted was drawn on themselves and made payable at Esdailes. Blackburn then presented this bill to the Bank of England for discount where it was refused, presumably because it did not meet the Bank's requirement that bills should carry the names of at least two good London houses.[4] Blackburn consequently asked for this bill to be exchanged for one drawn on Esdailes which could be discounted more easily.[5] Unfortunately, it is not recorded whether this bill was taken to the Bank of England for discount. Publicly, the Bank detested such finance bills and the directors generally claimed that they only discounted good commercial bills produced by real commercial contracts. Thus, they supposed, they only financed the 'legitimate' needs of trade, but the detection of an accommodation bill was a notoriously difficulty business and the Bank was certainly holding bills accepted by Cobb for Blackburns' accommodation in 1814.[6]

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1. See pp. 92-102 above.
2. <u>KAO</u>, 17 March 1808.
3. <u>Ibid</u>., 21 March 1808.
4. <u>Ibid</u>., 21 March 1808, 26 March 1808.
5. <u>Ibid</u>., 26 March 1808.
6. <u>Ibid</u>., 6 April 1814.

Three months later, in June 1808, Cobbs received yet another urgent request for money. The frame of the first 74 gun ship had been prepared for seasoning the previous November. The rest of the timber was sawn up and left to stand along side the frame and both were left to season for six months according to the contract. Unfortunately for the Blackburns, the Navy Board then decided that the frame and materials should stand a further six months. If construction had proceeded on time, the Blackburns could have expected a payment of £6,000 at the end of June and a further £6,000 three months later. Instead, as Peter Blackburn explained,

> "All those materials which we had provided & for which we had already been three months in advance to the amount of fifteen thousand pounds, must now consequently remain a dead, unproductive stock six months longer. Could I have anticipated such an event I would not have, for double the profit attached to the contract, have accepted it; for I have been depending on the receipt of the payments before mentioned to meet the Acceptances I am under for Timber laid in for the works of the second 74 Gunship; on which ship we are also necessarily some thousand pounds in advance before payment came round."[1]

£3,000 had been borrowed from other sources but this was not sufficient. The suggested solution was a chain of renewed two month accommodation bills.

> "I don't know how I shall be able to bring matters round, unless you could make it agreeable to yourself, to accommodate me occasionally with the use of your Drafts @ 2$^{n}$/d on Esdaile & Co.; by the renewing of which for a few months, I should be enabled to replace the amounts prior to their falling due."[2]

Cobb & Son were not willing to help in this way at this stage since there had been "unpleasant events" at the bank, possibly a run.[3] Blackburn

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1. KAO, loc.cit., 14 July 1808.
2. Ibid.
3. Ibid., 29 July 1808.

was still able to find bank accommodation to assist him through this difficult period for his own bank, Down & Co. of London, gave him permission to overdraw his account on "lodging the customary security of the circumstances", although he commented that it was "very much against my inclination" to ask such a favour of Down & Co.[1] Blackburn was permitted to draw for up to £3,500 for five months and for security he was required to sign promissory notes for that amount plus a joint bond in the names of Cobb & Son and himself.[2]

By the end of September of 1809, the Blackburns were looking forward to an easing of their cash position by the launch of the first of their warships at Christmas. The financial stringency of the years 1810 and 1811, however, led to an even greater reliance on accommodation bills with the object of raising cash for both Blackburns and Cobb & Son. In June 1810, for instance, Peter Blackburn accepted seven bills to the value of £8,000, five of which were to be used by Cobb & Son.[3] For Cobbs the peak of such financing was reached in the early part of 1811 when they were raising cash for their own use on Peter Blackburn's acceptances to the extent of £10,000.[4] Other bills were accepted by Cobb & Son for the accommodation of the Blackburns such as one at 2 months date in February 1811 for £1,500, and one the following March for £2,000, again at two months date.[5] Fresh accommodation bills were drawn to pay off those that

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1. KAO. loc.cit., 29 July 1808.
2. Ibid., 2 August 1808, 5 August 1808.
3. Ibid., 16 June 1810.
4. Ibid., 2 February 1815.
5. Ibid., 25 February 1811, 16 March 1811.

were reaching maturity, as was the case with one for £1,500 drawn by Blackburn in December 1811 which was

> "wanted to provide for my [Peter Blackburn's] acceptance to your Dft of £1,500 which is payable at Down & Co. the 4th Jan$^y$."[1]

For Cobbs, the resort to finance bills for their own accommodation was only a temporary expedient which was rarely utilised, but for the Blackburns this sort of finance was a regular way of operating their business. In 1814 they were busy repairing Royal Naval frigates as well as building Naval vessels. Repair work also brought its financial strains, especially as the Navy Board withheld £100 out of every £500 certified as due to them for work completed to form a reserve fund. As the work on the ships advanced, the amount of the reserve fund increased and, Blackburn commented, "they must & do occasion to us a proportionate pressure."[2] In April 1814, the sums reserved on the repair of two frigates amounted to over £8,000.[3]

Peter Blackburn referred to having used finance bills accepted by persons other than Cobb, although they were not specified.[4] The maximum value of bills accepted by Cobbs, or rather by Esdailes on their behalf, exceeded £7,000 at one point and then steadily fell until in April 1814 they amounted to just over £6,600.[5] At this time Cobb & Son were increasingly anxious at Blackburns' reliance on these bills, especially as they were dependent on the discount of new acceptances to pay off those that

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1. KAO, loc.cit., 31 December 1811.
2. Ibid., 2 April 1814.
3. Ibid.
4. Ibid., 9 March 1815.
5. Ibid., 2 April 1814; LBA, A20 b/12, p. 53.

were due for payment. Blackburn explained that one of the reasons why he was presenting fresh acceptances for discount before the previous ones were paid off was the state of the money market. The market tended to tighten at the time of the quarterly payments of the revenue account into the Bank of England which also coincided with the closing of the stock transfer books for the payment of dividends on the Funds. Blackburn was anxious to avoid having to discount bills at such periods of stringency.[1] On 2 April 1814 he explained that

> "the state of the money market has rendered it expedient to have renewals much before hand, in order to have time to raise the cash previous to its being wanted.
>
> "In the present instance the Cash obtained upon the acceptance contained in your last letter has been applied in meeting your acceptance due on Monday next - Without such prudential arrangement, I might, at times, have been unable to lodge the needful at your bankers in time to meet the emergency."[2]

Clearly, his financial affairs were in a parlous state and difficulties in discounting his bills together with delays in payments from the Navy board meant that four days later he was forced to suspend payments.[3] Blackburn's finance bills were discounted in three different places; some were placed on the London money market by a bill-broker (unspecified) while others were discounted at the Blackburns' own bankers, Down & Co., and thirdly, a good proportion were discounted at the Bank of England.[4] There was no difficulty in negotiating Cobbs' paper but Blackburn found it much more difficult to negotiate the paper of some of his other friends. The

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1. KAO, U1453/B3/15/151, 5 January 1814, 1 March 1814.

2. Ibid., 2 April 1814.

3. Ibid., 6 April 1814.

4. Ibid., 5 January 1814, 11 February 1814, 6 April 1814.

background of the bankruptcy is fully explained in a letter of 9 March 1815.

> "For some days previous to the 30th March, [he explained,] I had been in daily expectation of receiving Navy Bills; on the receipt of which I had been depending, as a provision for the payment of your acceptance then growing due the 2d April - On the 30th March those bills had not arrived, and I was obliged to borrow the acceptance of a friend - This I sent into the Bank for discount and it was thrown out - The time when the quarterly payments are made into the Treasury & for a short time previous to the stock dividends is always a period of great scarcity in the money market. It was therefore without success that I tried at the Brokers, to obtain cash for the Bills; all the Bankers being drained; and indeed the Bank itself was at that time so pressed with bills for discount, as to be under the necessity of throwing out even Bankers' acceptances."[1]

That particular acceptance of Cobbs was provided for by discounting a fresh bill accepted by Cobb, a transaction which appears to have greatly irritated the Cobbs.[2] However,

> "Accommodation bills of other persons were falling due and to be provided for by the 4th of April. Fresh acceptances were given me by the parties to get discounted and to provide them with the needful to meet the payment of those growing due. On the 2d of April I sent these renewals into the Bank for discount, and again on the 4th and on both occasions, they were all of them thrown out. No assistance was to be obtained at Down & Co. and none in the money market. I thereupon consulted with my friends on the spot, upon the 5th, [including Henry Thornton] and the result of their deliberation was, that I should suspend my payments & call a meeting of my creditors."[3]

Officially, the Bank's policy was to refuse all accommodation paper and to avoid providing a permanent capital to any business by means

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1. KAO, loc.cit., 9 March 1815.
2. Ibid., 2 February 1815, 9 April 1815.
3. Ibid., 9 March 1815.

of discounts. In practice this proved difficult to achieve, as is shown not only by the evidence of the Blackburns, but by some of the annual reports to the Directors on discounts. That for February 1812 complained that previous guidelines had been ignored. Too many discounts had been offered to some parties, giving them, in effect, a permanent capital on which to trade while bills between parties in the same line of business, which were likely to be accommodation bills, were discounted as were renewed notes between the same parties.[1] This was evidently still being done in the early part of 1814.

The Blackburns are the last case of Cobbs having any direct financial involvement with the shipbuilding industry in the period up to 1840. Cobbs made an important contribution in financing the operation of Blackburns' yard, even if the largest sums were raised by the use of either their name or that of Esdailes' rather than the funds of the Margate Bank. Many contemporaries would have considered the Blackburns' account as an example of unsound banking practice. They do certainly appear to have been over-dependent on discounts of finance bills while many bankers objected to accommodation bills in principle. The bankruptcy certainly left an unpleasant aftermath, and was not settled finally until at least 1827.[2] Cobbs were offered a ship, the 'Amelia Johnson' in part satisfaction of their debt, but refused to take it.[3] As a transport ship it was never worth as much as the warships, but with the advent of peace and the

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1. Sir J. Clapham, The Bank of England, (1944), vol. II, pp. 30-31. See also, I.P.H. Duffy, 'The Discount Policy of the Bank of England during the Suspension of Cash Payments, 1797-1821', Economic History Review, 2nd series, vol. XXXV, 1982, pp. 67-82.

2. KAO, U1453/B3/15/1711, 25 April 1827.

3. Ibid., U1453/B3/15/151, 6 April 1814, 2 February 1815.

discharge of many transport ships, their value dropped immediately by a third. The 'Amelia Johnson', originally thought to be worth £4,000, was sold for only £2,900.[1] The general drop in the value of shipping had serious consequences for the value of the Blackburns' estates. In 1814 it was thought that the estates would leave a surplus above that required to meet the claims of creditors but with the fall in the value of their property in peace time it was already evident in March 1815 that there would be a deficiency.[2] There followed a lengthy period of negotiations and litigation between the different creditors with some points having to be referred to the Lord Chancellor.[3] In 1820, Cobbs wrote off £3,305. 11s. 6d. as a bad debt out of a total original debt of over £6,611.[4]

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1. KAO, loc.cit., 15 February 1815.

2. Ibid., 6 April 1814, 15 February 1815; U1453/B3/15/147, 18 March 1815.

3. Ibid., U1453/B3/15/1711; U1453/B3/15/47; U1453/B3/15/155, U1453/B3/15/2270.

4. LBA, A20 b/12, p. 53.

## SUMMARY AND CONCLUSION

The keystone of Cobbs' business enterprise, before 1840, was the brewery rather than the bank. The brewery provided the greatest proportion of the family's income and accounted for a large outlay of fixed capital. In terms of profits, the bank was a secondary concern, even though the second Francis Cobb and Francis William Cobb were primarily bankers rather than brewers. The brewery was the means by which the first Francis Cobb raised himself from the level of an ordinary baker to a level of wealth and income exceeding that of most country gentlemen. However, it was the limits to the expansion of their brewing business, due mainly to the uneconomic cost of transporting beer any great distance, that led Cobbs, like so many other brewers, to develop their other business activities, notably the bank and the shipping agency. For both of these activities the brewery gave Cobbs particular advantages; great wealth and respectability, and a good supply of cash from a trade where initial fixed capital requirements were small, raw materials could be bought on credit, and sales were for cash.

As the brewery developed, this strong financial position was weakened by the need to purchase public houses as large brewers sought to secure outlets by tieing the trade, and the building of a large, prestigious, new brewery, which in the Cobbs' case, was larger than the volume of their trade required. Much of this investment could be financed out of current brewery profits and accumulated family wealth, but some temporary finance was provided by overdrawn accounts at the bank, while the capital of the bank was put on permanent loan to the brewery. Bank resources could also be used as a cheap way of financing raw material purchases and the debts of publicans, although the extent to which this was done is difficult to determine from the confusing state of the accounts.

Industrialist-bankers often found themselves in difficult circumstances through the overcommitment of bank resources to the parent enterprise. It could be argued that Cobb & Son were in such a dangerous position, but the effective capital of the firm included the total wealth of the family, much of which was generated by the brewery. This was not always sufficient to save the business in times of difficulty, but the value and profitability of the brewery was one factor that inspired confidence in those people who came to the firm's rescue. Furthermore, the brewery, together with the family's reputed wealth, inspired the confidence of the public and led to the early development of deposit banking.

Thus, in 1808, the total value of deposits, both with and without interest, exceeded the value of the note circulation. Following the Napoleonic Wars, the note circulation declined in importance until it was abandoned in 1844. This was probably a result of a decline in the profitability of note issue compared with deposit banking. While interest rates in the London money market fell, the costs of note issue remained relatively static. Deposits at interest also declined, while deposits without interest grew rapidly. Low interest rates were again an important factor, while the strong influence of London practices may also have been important. This trend was, no doubt, welcomed and encouraged by the Cobbs.

The evidence on deposits at the Margate Bank lends support to the view that deposit-banking was more important before 1840 than was at one time commonly supposed, and that it was not particularly dependent on the widespread use of cheques. Cheques were used, but alternative methods for the transfer of money were also available, most importantly, the draft on a London banker, and the system of inter-bank credits arranged through London. In this way a cheap, safe and reliable means of remitting money throughout the country was developed.

A sizeable proportion of Margate Bank funds were invested in London. There were two reasons for this. Firstly, a balance had to be maintained in London for clearing purposes. Secondly, there was a lack of suitable, safe, short-term investments in the Isle of Thanet, particularly genuine bills of exchange. The first form of London investment was the account at Cobb & Son's London agent, Sir James Esdaile & Co. By 1820, however, Esdailes were discouraging their country correspondents from building up large balances for fear of their sudden withdrawal during a financial crisis. This was certainly a common policy among the London banks following the 1825 crisis, who generally ceased paying interest on country bank balances. Esdailes continued to pay interest on the account of the Margate bank, but such payments were restricted to part of the balance only.

Government securities were seen as an outlet for surplus funds. It is possible that they were more important before 1805, particularly investments in Exchequer bills, although the shortage of evidence for the earlier period makes any definite conclusion impossible. There is evidence of Cobbs having invested in other short-term government debt to a small extent, including, Navy, victualling, transport and pilotage bills. Some of these were purchased on the London money market, while others were acquired locally through such people as army paymasters and the suppliers of provisions to the armed forces. There is also evidence of the purchase of perpetual annuities, omnium and lending on continuation. These investments were seen as a short-term outlet for surplus funds and took on a speculative character. Purchases were made in anticipation of rises in prices and switching between different securities was common. There was no concept of keeping a permanent proportion of assets in the form of government securities as a reserve.

Bills, and from 1829, call money with the bill-brokers, Overend & Gurney, formed the most important secondary reserve of the Margate Bank.

The preference for bills stemmed from their short-term nature and the relative certainty of the punctual payment of a specified sum. This arose in part from the fact that 'real bills' were rooted in transactions involving the sale of goods, but other factors included the collective liability of endorsers of bills, and the pressures on traders who wished to maintain their reputations and credit. The development of 'call money' strengthened Cobbs' links with the London discount market as it provided a highly liquid outlet for funds.

Through the London money market the savings of Margate were made available to the business community in the rest of the country. Even though a large proportion of assets were invested in London, Cobbs' bank was still able to make a valuable contribution to the development of the economy of the Isle of Thanet. Although Cobbs preferred to lend their money for short periods, loans of six months to many years were common. Most of Cobbs' loans on promissory notes and bonds were for such long periods, and these were generally granted to local businessmen and farmers. The records show that Cobbs granted advances to a whole cross-section of local businesses, to the many different traders in the town, and to farmers and landowners. Their most notable contributions were to the millers and corn dealers, and in the transport sector. The millers and corn dealers in turn held a strategic place in the finance of agriculture, while transport was especially important in the development of the local economy. The two main coach operators in Margate in the first two decades of the nineteenth century received very substantial advances in relation to the size of their businesses, while the assistance given to the Margate Pier and Harbour was of critical importance.

The assets of the Margate Bank were almost entirely invested in agriculture, trade or manufacturing in one form or another, with only a small proportion invested in government funds. In contrast, a high proportion of deposits came from economically non-active members of the community.

The two most numerous categories of depositors were the urban gentry and women. Many of the female depositors could also be described as belonging to the urban gentry. The importance of these two categories is reinforced by their prominence among the depositors of the two other east Kent banks studied. The third most important category was the wide-ranging one of retail traders and the many consumer goods producers that could be found in any provincial town of the period. Although the Margate Bank fits in with the general picture of the banks in rural areas having provided a surplus that could be invested in manufacturing through the London money market, it does not follow that these funds came directly from agriculture. On the contrary, the Cobb records suggest that agriculturists were more likely to require credit to finance production than they were to be important depositors.[1]

How successful or efficient was the Margate Bank? This is a question that is very difficult to answer. Before the 1820s, Cobb & Son were badly shaken by virtually every economic crisis, but by the mid 1820s, they were in a much stronger financial position. This was due to a more careful advances policy and a higher proportion of liquid assets, principally, bills of exchange, and, from 1829, deposits at Overend & Gurney. In the earlier years losses were caused by the accumulation of bad debts and the need to borrow at high rates of interest in times of difficulty, but profits were earned every year after the mid 1820s.

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1. In this context it should be noted that Dr. Parker found that the Cokes of Holkham were net borrowers. R.A.C. Parker, Coke of Norfolk, (1975), pp. 21-36,61-70, 126-134, 175-198.

Profit figures exist for two roughly similar banks, Gilletts of Banbury and Barnard & Co. of Bedford. The profits of the Margate Bank were generally lower than these two banks in the years 1826 to 1840, although when profits are related to balance sheet totals the difference is quite small.

Percentage return on total liabilities

| | Cobb & Son | Barnard & Co. | Gillett & Tanney |
|---|---|---|---|
| 1826 | | 1.95 | 0 |
| 1827 | 1.62 | 2.01 | 2.09 |
| 1828 | 1.45 | 1.80 | 0.93 |
| 1829 | 1.88 | 2.09 | 3.05 |
| 1830 | 1.37 | 2.06 | 2.14 |
| 1831 | 1.50 | 2.26 | 2.56 |
| 1832 | 1.83 | 2.23 | 2.78 |
| 1833 | 1.31 | 1.91 | 2.04 |
| 1834 | 2.16 | 1.61 | 2.43 |
| 1835 | 1.60 | 1.73 | 2.44 |
| 1836 | 1.89 | 1.76 | 2.08 |
| 1837 | 1.91 | 2.07 | 2.18 |
| 1838 | 2.05 | 1.26 | 2.37 |
| 1839 | 2.02 | 1.89 | 2.05 |
| 1840 | 2.03 | 2.00 | 2.24 |

Source: LBA, A20 b12 ; L.S. Pressnell, Country Banking in the Industrial Revolution, (1956) pp. 512-518.

A final question to be asked is how representative is the Margate Bank of other country banks? This cannot be answered with any statistical rigour, but the Margate bank shared features that were common among country banks. The connection with brewing was a common one, as was that in coastal towns, with shipping agencies. Most country banks were influenced by national economic trends, while changes in the London money market

were communicated through the universal practice of holding an account with a London bank, and the common links with the bill market and the stock exchange. One criticism of case studies is that the firms concerned, having survived and prospered, were among the most well-run of the period, and consequently are not representative. This cannot be claimed of the Margate Bank, at least in its first three decades or so, when the main reason for its survival was the family's accumulated wealth and the help of family and friends that could be drawn on in time of need.

There are,nevertheless, good reasons to expect some diversity. The Parliamentary papers show that there were variations in the development of deposits and in lending to agriculture, while there are also the well known differences between the West End and City banks of London, and between banks in industrial districts compared with those in rural areas. London banks may have sought to give guidance and direction, but like ordinary customers, the pressures to follow such advice only became strong when a country bank's account was overdrawn. This loose form of control may have had its dangers, but it could be argued that it enabled banks to respond better to the particular needs of their localities. If that was the case it might be profitable to divide up English banks according to the areas which they served. London would be a category on its own. Others would include; banks in large ports, in large industrial towns with large commercial sectors, in smaller industrial towns, in spas and resorts, in county towns and in small country market towns. With the major clearing banks now pursuing an active campaign to record and preserve their archives, such a project may become possible in the future.

Appendix 1

## Cobb & Son, General Cash Statements

Liabilities

| | Extraordinary Deposits[1] | Circulation | Interest Receipts | Deposits without interest | Cash due to Esdailes for their Acceptances and our Acceptances with them | Arrears of Expenditure on Brewhouse Account and new improvements | Amount of unpaid Acceptances for Malt | Miscellaneous[2] | Cash due to Esdaile | Balance in Favour of Cobb & Son | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1808 | | 33,927 | 23,021 | 20,309 | 8,436 | | 2,443 | 299 | | 8,065 | 96,500 |
| 1811 | 27,600 | 22,929 | 36,665 | | 7,786 | | | 750 | 11,209 | | 106,938 |
| 1812 | 30,810 | 19,937 | 35,473 | 14,688 | 2,650 | | | 570 | | | 104,128 |
| 1813 | 14,000 | 22,972 | 34,300 | 25,232 | 2,324 | | | 1,546 | | | 100,376 |
| 1814 | 14,400 | 23,971 | 28,612 | 42,834 | 3,648 | | | 3,431 | | | 116,895 |
| 1815 | 13,000 | 19,597 | 28,197 | 29,544 | 2,252 | | | 1,247 | | | 93,837 |
| 1826 | 7,000 | 19,463 | 12,277 | 51,744 | 806 | 2,305 | | 2,411 | | | 96,007 |
| 1827 | 7,000 | 19,605 | 10,868 | 68,400 | 1,734 | 3,800 | | 1,955 | | 2,907 | 116,269 |
| 1828 | 5,000 | 17,549 | 8,493 | 62,097 | 929 | 3,549 | | 4,144 | | 8,721 | 110,481 |
| 1829 | 6,000 | 14,218 | 7,411 | 55,637 | 2,075 | 2,797 | | 3,397 | | 9,956 | 101,491 |
| 1830 | 5,000 | 13,437 | 7,650 | 72,702 | 1,032 | 3,547 | | 6,094 | | 10,983 | 120,446 |
| 1831 | | 12,560 | 5,335 | 64,154 | 2,464 | 3,763 | | 4,568 | | 14,978 | 107,822 |
| 1832 | | 12,373 | 5,207 | 66,834 | 300 | 3,543 | | 7,027 | | 15,024 | 110,308 |
| 1833 | | 14,038 | 3,714 | 77,897 | 507 | | | 6,648 | | 11,623 | 114,428 |
| 1834 | | 14,158 | 3,633 | 61,308 | 410 | | | 3,996 | | 14,923 | 98,428 |
| 1835 | | 14,226 | 15,131 | 61,381 | 1,135 | | | 5,347 | | 15,157 | 112,378 |
| 1836 | | 12,671 | 14,794 | 61,296 | 418 | | | 6,973 | | 20,750 | 116,902 |
| 1837 | | 13,994 | 15,891 | 58,336 | 314 | | | 4,802 | | 26,796 | 120,133 |
| 1838 | | 12,129 | 15,367 | 64,499 | 585 | | | 3,994 | | 34,674 | 131,249 |
| 1839 | | 11,968 | 14,950 | 52,168 | 676 | | | 5,992 | | 39,823 | 125,578 |
| 1840 | | 11,923 | 14,818 | 69,422 | 1,187 | | | 4,696 | | 45,855 | 147,902 |

1. See Chapter 2.
2. Includes cash due on left book, petit ledger and cash received but not claimed.

Individual items have been rounded and may not add up exactly to totals.

## Cobb & Son, General Cash Statements

Assets

| | Cash | Cash at Esdaile & Co.[1] | Bills | Overend, Gurney & Co. Deposit Account | Government Stock | Exchequer Bills | India Bonds | American Stock | Bonds and Mortgages | Notes of Hand | Checks | Balance due from bank customers | Balance due from Publicans | Balance due on Table Beer Account | Stock of beer, malt and hops | Balance and stock on liquor account | Miscellaneous[4] | Mortgage due from Mr. Hollams, Deal | Balance | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1808 | 1,016 | 23,734[2] | 11,866 | | | | | | 25,009 | 4,907 | 1,125 | 20,724 | 3,803 | 457 | 3,858 | | | | | 96,500 |
| 1811 | 1,173 | 1,327[3] | 15,727 | | | | | | 19,779 | 11,720 | 1,357 | 10,911 | 5,217 | | | | | | 39,727 | 106,938 |
| 1812 | 2,644 | 10,081 | 15,003 | | | | | | 20,169 | 26,634 | 1,572 | | 3,666 | 727 | | | | 7,750 | 18,882 | 104,129 |
| 1813 | 3,183 | 6,754 | 17,080 | | | | | | 22,615 | 19,958 | 944 | | 3,825 | 767 | | | | 7,500 | 17,750 | 100,376 |
| 1814 | 5,133 | 13,463 | 27,900 | | | | | | 26,830 | 18,249 | 1,125 | | 3,584 | 667 | | | | | 19,943 | 116,895 |
| 1815 | 1,696 | 3,930 | 17,443 | | | | | | 28,646 | 17,310 | 750 | | 3,257 | 364 | | | | | 20,441 | 93,837 |
| 1826 | 3,091 | 8,857 | 23,821 | | | | | | 22,274 | 15,536 | 190 | 14,791 | 2,266 | | 3,397 | | | | 1,783 | 96,007 |
| 1827 | 7,326 | 8,820 | 46,151 | | | | | | 25,516 | 12,032 | 60 | 12,420 | 2,053 | | 3,890 | | | | | 116,269 |
| 1828 | 11,432 | 7,671 | 33,450 | | | | | | 25,633 | 14,664 | | 11,504 | 2,217 | | 3,910 | | | | | 110,481 |
| 1829 | 7,990 | 6,429 | 40,565 | 2,006 | | | | | 21,800 | 11,531 | | 3,738 | 2,240 | | 2,967 | | 224 | | | 101,491 |
| 1830 | 10,991 | 7,423 | 51,147 | 10,000 | | | | | 20,473 | 12,744 | | 2,400 | 2,019 | | 3,025 | | 224 | | | 120,446 |
| 1831 | 7,455 | 3,438 | 33,510 | 15,000 | | | | | 24,353 | 9,442 | | 8,726 | 2,414 | | 1,902 | 1,558 | 25 | | | 107,822 |
| 1832 | 7,688 | 6,956 | 28,536 | 25,000 | | | | | 17,486 | 11,503 | | 4,516 | 3,284 | | 3,860 | 1,479 | | | | 110,308 |
| 1833 | 4,974 | 6,560 | 34,947 | 30,000 | | | | | 19,191 | 10,860 | | 7,896 | | | | | | | | 114,428 |
| 1834 | 5,645 | 5,143 | 15,875 | 27,000 | 5,099 | | | | 18,604 | 11,140 | | 9,922 | | | | | | | | 98,428 |
| 1835 | 7,009 | 7,601 | 21,168 | 20,000 | | | 5,071 | | 22,609 | 20,423 | | 8,498 | | | | | | | | 112,378 |
| 1836 | 6,609 | 5,959 | 22,381 | 25,000 | | | | | 26,383 | 18,374 | | 12,196 | | | | | | | | 116,902 |
| 1837 | 8,771 | 4,484 | 12,657 | 30,000 | | 10,000 | | | 25,688 | 19,143 | | 9,392 | | | | | | | | 120,133 |
| 1838 | 6,661 | 6,194 | 12,226 | 42,000[5] | | 2,000 | | 7,995 | 24,097 | 19,126 | | 9,087 | | | | | 1,862 | | | 131,249 |
| 1839 | 7,687 | 3,087 | 17,763 | 30,000 | | 8,000 | 2,000 | 7,995 | 24,517 | 15,846 | | 8,683 | | | | | | | | 125,578 |
| 1840 | 9,624 | 5,123 | 10,615 | 52,000 | | 11,000 | 11,000 | 2,983 | 23,842 | 12,827 | | 8,889 | | | | | | | | 147,902 |

1. Barnett Hoare & Co. from 1837.
2. Includes 'undue bills' at Esdailes.
3. "not to account"
4. The 1829-31 figures are for bills returned and in 1838 for a remittance.
5. Includes £2,000 remitted but not yet credited by Overend & Gurney.

Source: LBA, A20 b/6, General Cash Statements.

Appendix 2

## A Tentative Statistical Analysis of the Relationship Between the Margate Bank and the Bank of England

That country bank issues were influenced by and dependent on the volume of the Bank of England note issue was a central point in the argument of the Bullionists. In The High Price of Bullion Ricardo claimed that

> "When they [the Bank of England] increase or decrease the amount of their notes, the country banks do the same; and in no case can country banks add to the general circulation, unless the Bank of England shall have previously increased the amount of their notes."[1]

In the opinion of Fetter, however, it was only Ricardo who ever suggested that the variations in country bank issues were exactly proportioned to those of the Bank of England. Even Ricardo was "talking primarily of a long-run relation"[2] and recognised that there could be changes in the relative importance of the Bank's notes and country notes in particular areas. Speaking of the general position of the Bullionists, Fetter claims that;

> "They did not picture an unchanging relation between Bank and country bank notes, but rather the ability of the Bank of England to exercise a powerful influence on country bank circulation."[3]

The nature of the proposition indicates that even its proponents were aware of the problems of proving its validity statistically. Seasonal variations could lead to a change in the balance of Bank and country notes. It is known that in the long run their respective proportions changed. Further complications arise if a comparison between the Bank and an individual

1. P. Sraffa & M.H. Dobb, The Works and Correspondence of David Ricardo, (1955), vol. III, p. 88; Quoted in, F.W. Fetter, Development of British Monetary Orthodoxy, (Cambridge, Massachusetts, 1965), p. 49. See also, Sraffa & Dobb, op.cit., vol. III, pp. 26-27, 230-235.

2. Fetter, op.cit., p. 49

3. Ibid., p. 49.

country bank is attempted as local factors become involved. Changes in the public's estimation of their local banks could increase the issues of some at the expense of others, while in extreme cases, bankruptcy could lead to a rapid growth of neighbouring banks.[1] Seasonal variations, fluctuations in the velocity of circulation and changes in relative interest rates in London and the country could also lead to changes in the balance of London and country notes. Despite these difficulties, it was decided that an attempt should be made to analyse the relationship between the Margate Bank and the Bank of England. Given the importance of deposits in the Margate Bank,the analysis has been extended beyond that of note issue. In addition to the problems above, it should be mentioned that due to the gaps in the records of the Margate Bank, observations were restricted to twenty-one years, and that even these do not represent a single unbroken time period.[2]

The relationship was firstly explored by the use of correlation analysis. The Margate Bank's notes, deposits (without interest), total deposits and net liabilities to the public were correlated with Bank of England notes, deposits, and notes and deposits together. The figures for Cobb & Son relate to 30 September of each year while those for the Bank of England are annual averages.

1. Some of these factors are mentioned in Vincent Stuckey's evidence of 1841. BPP, Select Committee on Banks of Issue, 1841, vol V, QQ. 460-2, 475-485.

2. The years are, 1808, 1811-1815, and 1826-1840.

The Bank of England and the Margate Bank, 1808, 1811-1815, 1826-1840, Correlation Coefficients

| | Bank of England | | |
|---|---|---|---|
| Cobb & Son | Notes (annual ave) | Deposits | Notes & Deposits |
| Notes | 0.468 | 0.290 | 0.507 |
| Deposits | -0.506 | -0.261 | -0.522 |
| Deposits & Receipts | -0.356 | -0.221 | -0.386 |
| Net liabilities to the Public* | -0.198 | -0.123 | -0.215 |
| Net liabilities to the Public** | 0.562 | 0.011 | 0.437 |

*excluding extraordinary deposits

**including extraordinary deposits

The resulting coefficients were not very strong, the best being for net liabilities to the public, including extraordinary deposits,against Bank of England notes. The inverse correlation coefficients for deposits,and deposits and receipts, (interest bearing deposits), reflects the growth of the Margate Bank's non interest bearing deposits during the period. The inverse correlation coefficient for net liabilities to the public,excluding extraordinary deposits,reflects the weak state of the bank between 1810 and 1815 when ordinary public deposits were depressed. The results suggest that there was a weak correlation in the long term between the Bank of England and Cobbs' total net liabilities to the public, although individual components could move in opposite directions.

The relationship was tested further by means of a multiple regression analysis. As a result of swings in the trade cycle, the variables could be expected to follow a cyclical swing around the trend line. To measure the significance of each relationship, each variable was regressed against Bank of England notes and time. The results were as follows.

| Margate Bank | T ratio for Bank of England Notes | $R^2$ | Durbin-Watson |
|---|---|---|---|
| 1808, 1811-15, 1826-40 | | | |
| Notes | -1.99 | 80.9 | 1.38 |
| Deposits | 1.10 | 71.5 | 1.29 |
| Deposits and Receipts | 2.79 | 70.9 | 2.55 |
| Net liabilities to the Public (excluding extraordinary deposits) | 1.78 | 31.6 | 2.50 |
| Net liabilities to the Public (including extraordinary deposits) | 3.68 | 70.9 | 2.28 |
| 1809, 1811-15 | | | |
| Notes | 0.28 | 45.2 | 1.56 |
| Deposits | 0.11 | -18.2 | 2.09 |
| Deposits and receipts | 0.34 | 24.6 | 2.26 |
| Net liabilities to the Public (excluding extraordinary deposits) | 0.34 | 34.8 | 2.09 |
| Net liabilities to the Public (including extraordinary deposits) | 0.57 | 7.2 | 1.6 |
| 1826-40 | | | |
| Notes | 2.12 | 65.9 | 0.99 |
| Deposits | 0.73 | 11.7 | 1.78 |
| Deposits and Receipts | 1.83 | 20.5 | 2.54 |
| Net liabilities to the Public | 2.38 | 21.2 | 2.55 |

For the period as a whole, the T ratios indicate a significant relationship between Bank of England notes and the Margate Bank's total deposits, and total net liabilities to the public. When the data were split into two different periods it was found that there were no significant T ratios for the earlier period, while in the second period there was a significant resul for Bank of England notes and net liabilities to the public. In the earlier period, the Margate Bank was in grave difficulties, a consequence of being out of step with the Bank of England.

Appendix 3

List of London Banks and the number of offices of their joint stock bank correspondents in 1836.

| | London Bank | No. of Joint Stock Offices |
|---|---|---|
| 1. | London & Westminster | 81 |
| 2. | Williams | 77 |
| 3. | Barclays | 71 |
| 4. | Prescott | 44 |
| 5. | Robarts | 42 |
| 6. | Smith Payne & Co. | 36 |
| 7. | Glyn | 31 |
| 8. | Masterman | 24 |
| 9. | Jones Loyd & Co. | 19 |
| 10. | Spooner Attwood & Co. | 17 |
| 11. | Ladbroke | 16 |
| 12. | Hanbury | 14 |
| 13. | Barnetts | 13 |
| 14. | Drewit | 11 |
| 15. | Esdailes | 10 |
| 16. | Denison | 4 |
| 17. | Lubbocks | 2 |
| 18. | Rogers | 2 |
| 19. | Barnards | 1 |
| | Cunliffe | 1 |
| | Curries | 1 |
| | Hankey | 1 |

The following had no joint stock bank correspondents: Bosanquet, Brown J., Butt, Cocks, Coutts, Dornier, Dixon, Hammersley, Hopkinson, Praed, Price, Ransom & Morland, Stevenson, Veres, Weston, Whitmere, Willis.

Source: Shannon MSS and Post Office London Directory for 1837.

Appendix 4

Turnover and Commission Fees on the Margate Bank's Account at Esdailes

| | Turnover £s | Commission £s | % |
|---|---|---|---|
| 1811 | 369,164 | 400 | 0.108 |
| 1812 | 369,630 | 400 | 0.108 |
| 1813 | 353,914 | 400 | 0.113 |
| 1814 | 354,566 | 300 | 0.085 |
| 1815 | 326,174 | 200 | 0.061 |
| 1816 | 304,963 | 200 | 0.066 |
| 1817 | 387,742 | 200 | 0.051 |
| 1818 | 454,234 | 200 | 0.044 |
| 1819 | 405,915 | 237.10s.* | 0.058 |
| 1820 | 341,910 | 250 | 0.073 |
| 1821 | 310,974 | 250 | 0.080 |
| 1822 | 271,491 | 250 | 0.092 |
| 1823 | 291,455 | 200 | 0.068 |
| 1824 | 358,709 | 200 | 0.056 |
| 1825 | 417,160 | 200 | 0.048 |
| 1826 | 342,821 | 200 | 0.058 |
| 1827 | 330,087 | 200 | 0.060 |
| 1828 | 369,633 | 200 | 0.054 |
| 1829 | 329,471 | 200 | 0.061 |
| 1830 | 384,829 | 200 | 0.052 |
| 1831 | 339,019 | 200 | 0.059 |
| 1832 | 369,989 | 200 | 0.054 |
| 1833 | 352,165 | 200 | 0.057 |
| 1834 | 344,847 | 200 | 0.058 |
| 1835 | 135,316** | 200 | 0.074 |

*Commission increased from £50 to £62.10 per quarter in the second quarter.

**Figures for turnover only available for the first two quarters of 1835.

Source: LBA, A20 b/ 2.

Appendix 5

## Annual High and Low Points in Cobb & Son's Account with Esdailes

| | Low Point | High Point |
|---|---|---|
| 1785 | December | October |
| 1786 | June | October |
| 1787 | May | December |
| 1788 | June | October |
| 1789 | June | November |
| 1790 | March | November |
| 1791 | May | December |
| 1792 | June | January (November)[1] |
| 1793 | June | October |
| 1794 | May | October |
| 1795 | May | October |
| 1796 | June | October |
| 1797 | June | December |
| 1798 | March | August |
| 1799 | June | August |
| 1800 | January | August |
| 1801 | May | October |
| 1802 | June | October |
| 1803 | May | July |
| 1804 | December (June) | September |
| 1805 | May | October |
| 1806 | June | September |
| 1807 | May | August |
| 1808 | December | April |
| 1809 | December | September |
| 1810 | December | March |
| 1811 | December | March |
| 1812 | June | September |
| 1813 | March | June |
| 1814 | March | June |

1. There was a second peak in November.

Summary of Annual High and Low Points

| | | |
|---|---|---|
| High Point | October | 10 |
| | August | 4 |
| | September | 4 |
| | December | 3 |
| | March | 2 |
| | June | 2 |
| | November | 2 |
| | January | 1 |
| | April | 1 |
| | July | 1 |
| Low Point | June | 11 |
| | May | 9 |
| | December | 6 |
| | March | 4 |
| | January | 1 |

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