

## BANK AMALGAMATIONS IN ENGLAND

### No Fusions of Such Importance for Two Decades—Causes and Consequences

Commenting on the number and nature of bank amalgamations in England, the London Financial Times says:—

"Amalgamation epidemics in the banking arena, like their counterparts in the pathological world, tend to recur in cycles, but their origin may be due both to local and national causes. A time of war one would hardly have predicted as a favorable period for fusions and absorptions, yet the past year was noted for the number of bank amalgamations and for the importance of the various institutions involved. No corresponding arrangements of such outstanding significance, indeed, had occurred since 1896, when by the merging of Gurney and Company, J. Backhouse and Company, and Barclay, Bevan, Tritton, Ransom, Bouverie and Company, and twelve other private firms, the present concern of Barclays was founded. In that year, too, there were seven other fusions, including the swallowing up of the Channel Islands Bank, the Carlisle City and District Banking Company, and the Huddersfield Banking Company by what is now the London City and Midland. Prior to that the most remarkable season was 1891. The absorption tendency first showed itself in 1878-79, and may be said to have been started by the failure of the City of Glasgow Bank and the West of England and South Wales District Bank.

#### Primary Cause of Mergers.

"The original incentive may therefore be described as the desire of individually small institutions to strengthen their position and to enlarge their scope for action by union on more or less mutual terms. This principle, no doubt, underlies to a considerable degree most amalgamations, but in later years there has also sprung up among the big banks a fierce spirit of emulation which at times has passed into such keen competition as to occasionally run dangerously near to hostility. Apart from factors appertaining specially to the banks themselves there have been external causes which have favored concentration and consolidation. The multiplicity of small institutions which served very well a quarter of a century or more ago would be useless to our modern commercial methods and to the extent that banks have adapted themselves to the bigger trading conceptions of to-day the amalgamation policy has been merely a phase of the general evolution of our mercantile system. The most important changes of the past year illustrate this argument. While off-hand, as we have already remarked, a time of international crisis might be supposed to leave no room for attention to fusion questions, it has in reality forced them to the front. The chief deals—at all events the first—did not arise out of the recrudescence of a desire on the part of their participants to assume yet bigger dimensions, but solely out of the need to supplement their activities in directions the expansion of their business showed to be imperative.

#### Pressure of War Work.

"The war has thrown enormous additional work on the banks and has opened up to them spheres of usefulness they would have fought shy of not so very many years ago. It was often a case then of an institution threatening to become 'pot-bound'; its existing boundaries menaced the vitality of activities which had grown beyond them. Then the only alternatives were to launch out on a new programme involving the raising of fresh capital and challenging other banks or to seek alliance with another concern which could give ready-made what was wanted, and would find to hand in return something it needed itself. There were three characteristics of last year's mergers. There was an extension of local enterprise in the acquisition by the Union Bank of Manchester of the Halifax and District Permanent Banking Company; there was the invasion of Ireland by the big Metropolitan institutions exemplified in the passing of the control of the Belfast Banking Company to the London City and Midland and of the Ulster Bank to the London County and Westminster; and the reciprocal expansion of spheres of operation illustrated by the fusion of the London and Provincial and the London and South Western and the Union of London and Smiths and the National Provincial of England. Since the close of 1917 we have had the arrangement between the London County and Westminster and Parr's, which has introduced a new element into the movement and suggested rather a revival of the competitive spirit. The announcement of this fusion was only made known at the beginning of this month,

but undoubtedly it is strictly a phase of last year's boom, and that boom cannot be properly renewed without taking it into consideration.

"Contrast these noteworthy deals with the relatively insignificant performances of 1916 and 1915. There was none actually in the former year, but only the completion of the arrangement between Barclays and the United Counties of Manchester, which was negotiated in 1915, but had been hung up through the delay of the New Issues Committee of the treasury in sanctioning the necessary creation of shares. The only other fusions in 1915 were the acquisition of the Bank of Whitehaven by the Manchester and Liverpool District Banking Company and the purchase of Thomas Barnard and Company by Parr's. Various methods of payment distinguished last year's deals. The Union of Manchester bought the Halifax and District outright for cash, the London City and Midland and Belfast deal was carried through by an exchange of shares, the London County and Westminster paid the Ulster shareholders partly in cash and partly in shares, and the London and Provincial and South Western, the National Provincial and Union, and the London County and Westminster and Parr's arrangements are to be entirely on a share basis. Though these movements among banking institutions indicate a general trend of development not confined to this country, it is not difficult to outline the objectives of the individual institutions.

#### Invasion of Ireland.

"The invasion of Ireland in more pronounced form by leading London houses was inevitable sooner or later if they were to hold their own there. The industrial expansion in the Emerald Isle of recent years has led to much increased activity on the part of the banks, and the growth of their deposits reflects the rapid expansion of internal trade. New branches are being opened up in all directions and assistance given with a good deal of foresight to new lines of industry. English banks naturally wish to share in the prosperity this means, and by far the easiest method of doing this was the course adopted—the taking over of an existing national institution and carrying it on in its native guise. The Union of Manchester's acquisition exemplifies the same principle in a qualified degree in the North of England. The trend of its business required better representation in the Yorkshire area, and the purchase of the Halifax and District gave it what it needed and widened still further the scope of its possibilities in the Northern area.

#### As to the London Fusions.

"The three big London fusions are all of a complementary and supplementary character. How necessary the London and Provincial and the South Western have always deemed themselves to each other is proved by the fact that they have flirted together for nearly half a century, though only now has the marriage been arranged. The South Western is mainly a metropolitan institution, with the addition of a strong foreign connection, but with only a weak hold on the industrial centres and the seaports. There, on the contrary, the London and Provincial is powerful, and it has a specially good business in South Wales, though it was comparatively limited in action in the metropolis and had no direct foreign feeders. The combination of the two produces an almost ideal undertaking, and its future development will be well worth watching. The case of the Union of London and the National Provincial is almost as convincing, and anyhow there are plenty of grounds to justify the deal. The Union's principal interests are in the metropolis, though from time to time it has materially expanded its connection in the provinces by judicious acquisitions. But these expansions have not carried it much into the ground covered by the National Provincial, so that it remains true that out of a combined total of 700 officers the two concerns outside of London meet in only about thirty-five places. The National Provincial, on the other hand, is notably a Midland and Northern undertaking, and its association with the metropolis is primarily for the convenience of its country connections, and it certainly does not clash there with the Union. The amalgamation of two such concerns should result in a highly useful institution and, anyhow, the fusion makes it the third biggest bank in the United Kingdom—no mean ideal to live up to.

"The main reason put forward for the London County and Westminster and Parr's merger is that the latter brings to the former a big and much needed northern connection, and that the former will give the latter a very convenient foreign outlet, principally in France and Spain. It is obvious, however, that this cause of amalgamation has not just sprung into being, but has existed for some time, and that the contagion