

has been largely used in Scotland, by which borrowers go to banks and get accommodation against the joint personal security of themselves and one, or two, or three friends. Thus very poor borrowers were able to gain loans; and many frugal, thrifty and enterprising men were able from humble beginnings to build up large and important interests.

The banks of Scotland have a further advantage over those in England in their system of note issue. By Peel's Act their total "uncovered" circulation was fixed at £3,087,000, which has since been reduced by the failure of two banks to £2,676,000. Bank notes up to that limit may be issued on securities alone; every note beyond that sum must be based pound for pound on gold. Now the Scotch banks hold a certain amount of gold as a reserve against their deposits; and they have chosen to regard it also as a basis for note issues. There is nothing in the act to prevent their doing so. Now, as a bank note does not become an obligation until it is issued, the Scotch banks make a very great saving on the "cash" used as till money, by holding their own notes instead of gold. It has been estimated by competent authorities that the banks of Scotland thus economize to the extent of at least £10,000,000 on the gold that they otherwise would be compelled to hold. That is to say, they save the interest on this vast sum of money which would otherwise be lying idle in the shape of gold in their vaults. In England, on the contrary, where the joint stock banks make little use of their own notes, they must hold as till money large sums in gold or Bank of England notes to meet the requirements of business.

As has been said, the law is silent concerning the cash that should be held against deposits. The gold reserves held against deposits, in the Scottish banks, are probably extremely slender, if the cash held against notes is set on one side. But it is impossible to detect its actual amount since the Scotch banks include with their cash their balances at the Bank of England—balances, be it remembered, that may have resulted in loans from the Bank. And the net result is, that when the proportion of their cash to their total liabilities on notes and deposits is worked out it is found to be low, even when compared with English practice. The Scotch banks—with one exception—do not follow the example of English provincial banks in including in their cash on hand loans at call or short notice.

The Scotch banks, it may be said in conclusion, have avoided the excessive competition which is a characteristic of English banking. Indeed, in Scotland co-operation among the banks is carried to an extreme of which the mercantile community frequently complains. The banks are few in number, there being eight only. They stand together like a close corporation; they agree among themselves as to the rates they