

BANK CONSOLIDATION IN ENGLAND.

On the subject of bank consolidation in England, Mr. Herbert Askins Ross, writing in "The Chicago Banker," for October, says in part:

"If you want to extend a banking business in England, you may do it in either of two ways: You may open branches in new or insufficiently banked districts, and, gradually work them up; or, by amalgamating with other concerns, you may acquire a number of branches 'ready-made' and in working order. In the slow-going generation which preceded our own, the former was the method of extension most frequently adopted, but, by many present-day bankers, as in America, it is found to be too slow. They regard the process of 'waiting' as tedious. They like to see the business of the institution with which they are connected increasing by leaps and bounds, and, consequently, while not altogether discarding the older method, they prefer the method of consolidation, by which they secure a number of offices at one stroke, and infuse into them fresh vigor and new capital. For years the record of bank amalgamations has continued to grow, and last month there were chronicled some substantial additions to the list. The movement is suggestive in many ways and deserves, from several standpoints, more than passing notice which is all it has hitherto received.

"A point which must have struck every banker in connection with the amalgamations of recent years is the manner in which shareholders, both of the absorbed and absorbing institutions, acquiesce without the least demur in the provisional arrangements for fusion made on their behalf by their directors. Meetings of shareholders called with a view to carrying through amalgamations are almost always purely formal; so much so, that at times—although this is the case rather with the confirmatory than with the first meeting—there are doubts in the official mind as to whether there will be a sufficiently large attendance of shareholders to form a quorum.

There is reason for this acquiescence, apart from the natural tendency of shareholders, banking and otherwise, to follow the lead of the directors whom they have appointed to look after their interests, and who, having themselves a large interest at stake, may be presumed to have weighed very carefully the desirability of the step before recommending their constituents to take it. That reason is, that in every amalgamation, each of the parties to the contract supplies some element which the other lacks. Take an instance, which probably caused as much surprise, when the rumour of it first got about, as any amalgamation of modern times—the absorption of the City Bank by the London and Midland. There was really no occasion for surprise. Here were two banks—one having a large London and suburban connection, but no country branches; the other with a comparatively insignificant London business, but a network of branches and a large connection in the

Midlands particularly, and the provinces generally. One with a Stock Exchange and foreign connection: the other with practically neither, but with other compensating contributions to the general good. Take again, simply as examples of mutual advantage, the absorptions which brought Lloyds from Birmingham, and Parrs from Lancashire to London. Each of these amalgamations gave a rising, but till then a purely provincial, bank a footing in London, a seat at the Clearing House, and valuable and old-fashioned London connections; whilst the firms absorbed, in addition to the pecuniary equivalents presumably received for their businesses, were able to furnish their clients with the additional security and facilities which can only be afforded by large concerns with published balance sheets, large uncalled capital, and surplus funds running into millions. Whatever the disparity in size and importance between absorber and absorbed, the same principle holds good. Each bank brings to the coalition an element which strengthens the institution as a whole—a missing link in the chain of business connections; a footing in a fresh commercial centre; the command over larger resources, or other equivalent.

"A further consideration, which greatly facilitates the passage of amalgamation resolutions, so far as the smaller of the two amalgamating businesses is concerned, is one which weighs with shareholders more than any other—the direct and immediate financial inducement. In practically every instance where the bank taken over is a joint-stock company, the announcement, and even the mere rumour, of an impending amalgamation sends up the value of its shares, so that shareholders who sell obtain a substantial bonus, while those who exchange their holdings for shares in the other bank obtain a security which is not only more marketable, but more valuable. The shareholder of the smaller bank gains in pocket; the shareholder of the larger concern in fresh business and greater prestige. The advantage is mutual. When these considerations are borne in mind, one ceases to wonder that amalgamations once provisionally arranged, go through with so little friction.

"Preliminary and confirmatory meetings over, the stage at which amalgamation is an accomplished fact is arrived at, and this stage—that which immediately follows the actual fusion—constitutes the most practical part of the subject. The period of courtship—the most interesting stage of all—is over; the union has been legally effected; hope and speculation as to the future give way to actual experience; and the outcome of the whole transaction may be looked at in an everyday light by the various parties affected.

"First in order among these as a matter of personal interest, though not of intrinsic importance, are the staffs of the banks concerned. One of the first questions which arises in purely banking circles in connection with every amalgamation is: How will it affect the staff? This is, of course, a question which