Local and personal: the principles and practice of saving in Victorian England

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Introduction

What possible lessons could we learn today from that remarkable patchwork of friendly societies, building societies, burial clubs, savings banks and penny banks that characterised the landscape of nineteenth-century Britain?

Well, we could begin with the principles of prudence, self-help and independence. We could go further and think about the idea of locality, indeed the concept of *saving* itself. We could reflect on what this tells us about society both then and now. We could ask whether the trends in the direction of large, national, indeed, global, multi-faceted banking institutions best serve these ideals. Perhaps we might come to regret something at least of the loss of diversity in institutional and local provision for saving.

Gladstone, in 1890, described thrift as 'the symbol and instrument of independence and of liberty'[1] The Penny Bank, designed to encourage the saving principle amongst the poorest, has been described as 'one of the most remarkable social phenomena of the nineteenth century'[2] Historians, of course, view the phenomenon through different lenses. Was the idea of mutual association a defensive reaction to life risks in the new industrial age or a reflection of greater capacity for both saving and consumption due to increased real wages?

What is remarkable is the range of financial and savings institutions which inhabited the landscape, self-governed in one way or another, appealing to different groups in society, encouraging prudence, self-help and virtue. The precise opposite to the consolidation, centralisation and regulation we find today. These movements of mutual aid were not without tensions or problems (not least fraud) or even mixed motives (middle class aims to

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[1] P.H.J.H. Gosden, *Self-Help*, (London: B.T. Batsford Ltd., 1973), p1.
[2] D. M. Ross, 'Penny Banks in Glasgow, 1850-1914', in *Financial History Review,* 9 (1) (2002), p21

keep the costs of poor relief low) and these may have contributed to increased regulation and scale at the expense of independence and then local. There was, nevertheless, a degree of flexibility and agility, a commitment to local communities, a vision of mutual ownership, which makes these associations worthy of further thought and investigation.

The ideas of prudence and self-help

The dominance of the role of the state today is so pervasive that it is easy for us to forget that as banking, savings and other financial institutions emerged in the nineteenth century the presumption was that individuals were responsible for their own welfare, mediated perhaps through churches and voluntary societies, but with state aid an inadequate and final resort.

The concentrations of capital and labour in urban centres and industrial towns naturally brought many challenges. Loss of employment thought injury, sickness or, indeed, any other reasons raised the spectre of poverty for individuals and families. As Zoe Lawson has noted:

> The fundamental belief underlying the savings banks was that self-help and thrift were the solution to poverty.[3]

Historians commonly assume that these values were imposed by middle-class elites in their own self-interest. Order, control, and the minimisation of the poor rates encouraged the development of these societies. Hence, Simon Cordey:

> Individualistic middle-class values such as sobriety, self-help, and thrift were appropriated, redefined, and deployed in collective contexts by friendly societies.[4]

Respectability contributed to improved moral behaviour, good order and social peace.

Nevertheless, there is a danger that we are so resistant to anything which might look paternalistic and to any idea of self-help that we quench the dynamism of the friendly societies, savings banks and other institutions of mutual aid. Cordey himself notes that

[3] Zoe Lawson, 'Save the Pennies', *Local Historian*, vol 35, No.3, 2005, p169.
[4] Simon Cordey, 'Friendly Societies and the Discourse of Respectability in Britain, 1825-1875,' *Journal of British Studies*, Vol 34, No 1 (January 1995), p41.

‘funeral insurance represented the baseline of respectability in working-class communities’,[5] and Martin Gorskey that membership of a friendly society was a moral choice.[6]

There is a case to argue that these societies were flexible and agile, represented a place of autonomy for working-class people, indeed a place of social relationships. There was an independence from the state, changing patterns and disciplines of work and, at least the possibility, for the working-class to save, ‘consciously taking control of their financial affairs’[7] and, in the words of a handbill for the Leeds Permanent Building Society, to ‘lay the foundation of future comfort and ease.’[8] There is a real sense that these organisations were vehicles for working-class formation and identity.[9]

Friendly societies encouraged women and children to save independently. Penny Banks illustrated the flexibility of provision by taking the savings opportunity to the poorest of the poor and certainly from 1873 the Penny Banks’ Association was campaigning for Penny Banks in schools.

> …the early installation into the youthful mind of habits and thrift and prudence cannot but be fraught with great and lasting good to the individual and the community at large.[10]

Naturally there were complex motives and agendas. However, the idea that virtue and prudence were values belonging only to the middle-class elites and were effectively imposed on the working-class to ensure social order is arrogant. These principles belonged just as much to the working population, and the aspiration of the working man is expressed in many of these mutual organisations, to provide for self and family, to save, to achieve a better life, to provide a house and to insure against disaster.

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[5] Ibid., p36.
[6] Martin Gorsky, ‘The growth and distribution of English friendly societies in the early nineteenth century’, *The Economic History Review,* New Series, Vol 51, No 3 (1998), p503.
[7] Lawson, ‘Save the Pennies’, p174.
[8] Roger Morris, ‘Voluntary Societies and British Urban Elites, 1780-1850: An Analysis’, *The Historical Journal*, Vol 26, No 1 (March 1983), p115.
[9] S. de Cruze and J. Turnbull, ‘Fellowship and Family: Oddfellows Lodges in Preston and Lancaster, c1830-1890’, *Urban History*, 22 (May 1995), p25.
[10] Ross, ‘Penny Banks’, p30, quoting the Report of the Penny Savings Banks Association, 1877.

> In essence many of them owed their origins to the need felt by working men to provide themselves with succour against poverty and destitution resulting from sickness and death at a time when the community offered only resort to the overseer of the poor.[11]

The rise of the voluntary savings societies

Before considering the role of two particular examples we should, albeit briefly, set the context for the development of the mutual savings organisation. Gosden gives a good summary of the history from the eighteenth century and throughout the nineteenth. Indeed, his chapters remind us of the range of societies[12]:

- The Affiliated Orders
- Burial and Collecting Societies
- Building Societies
- Cooperative Societies
- Savings Banks

This latter category could be broken down further to include the Post Office Savings Bank as well as local and regional savings banks and Penny Banks.

Local societies inevitably emerged in local communities in order to make provision for social need. The first Friendly Societies Act was passed in 1793 and there was a whole series of legislative provisions in the nineteenth century which included the establishment of the first Register of Friendly Societies in 1846, and then a Royal Commission in the period 1870-74 which resulted in further legislation in the Friendly Societies Act 1875.

The history of the legislative provision itself reveals a tension between locality and self-governance in the societies and the need to enforce standards, controls and governance procedures against fraud and malpractice. Many local societies valued their independence deeply and resented state regulation. There is a similar story with the emergence of the 'Affiliated Orders'; perhaps the most well-known being the Manchester Unity of Oddfellows and the Ancient Order of Foresters. The origins of the names are somewhat mysterious – the Oddfellows, it has been suggested, representing 'odd' fellows or 'odd' trades coming

[11] Gosden, *Self-Help*, p2.
[12] Gosden, *Self-Help*.

together, and Adam was regarded as the first forester. In any event these Orders gradually brought into affiliation numerous local lodges and societies to give some centralised support and oversight; not all embraced the idea.

Friendly societies featured in two Poor Law returns, 1803 and 1813-15. Martin Gorsky summarised the growth and distribution of the societies. For example, in 1815 some 16% of the entire population of Lancashire belonged to a Friendly Society, but this figure represented some 81% of families, though some will have belonged to more than one society. Oldham, a centre of the cotton textile industry, 41% of the population were members of Friendly Societies and over a third of the membership were women. The membership figures varied from place to place but were significant.[13]

From 1810 there was a rising wave of local savings bank institutions. Examples include Rothwell (1810), Preston (1816), Newcastle (1818), Bury (1822) and Blackburn (1831). By 1818 there were 283 savings banks established in England[14], by 1856, there were 467.[15] In respect of Penny Banks by 1867 there were 874 across the UK.[16] The Post Office Savings Bank, established by Act of Parliament in 1861 was an attempt in this part of the sector to deal with poor governance and patchy coverage and achieved considerable success.

The origin of the building society movement lay in local building clubs whereby workers would come together and contribute a membership fee and then the pooled funds would be used to enable a member to purchase a property. Once the club had discharged its function it would close. All members would contribute equally but there was difficulty admitting new members and inevitably a long-time lag between the first contribution and the completion of the last house for the last member. This then gave rise to the notion of the permanent building society.[17]

What is extraordinary and often overlooked is the range of mutual societies and their integration into local communities. They provided social fellowship, mutual support and the opportunity for savings not only for working men, but also women and children. They were

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[13] Gorskey, 'Growth and Distribution of English Friendly Societies', pp493-498

[14] Linda Perriton and Josephine Maltby, 'Savings Banks in England and Wales in the Nineteenth Century: A New Insight into Individual Spending and Saving', *Business Archives Journal*, 105 (2012), p49

[15] Lawson, 'Save the Pennies', p169

[16] Ross, 'Penny Banks', p27.

[17] Antoninus Samy, *The Building Society Promise*, (Oxford: OUP, 2016), chapter 1.

an essential part of the landscape, gave opportunity for community service (for example, as trustees) and gave practical form to the ideas of saving and prudence.

Savings banks and Penny Banks

Several scholars have investigated in detail the operations of particular savings banks or geographical areas with fascinating results.

Limehouse Savings Bank was established in 1816. In the 1830s to the 1860s the number of new accounts opened per decade ranged from 2,440 to 3,885. Particularly interesting is that the percentage of accounts held by women reached nearly 40% in the 1860s. In addition to that some 15% of accounts were held by minors.[18] Perriton and Maltby, who combined these statistics, point out the importance of the savings bank for the role of women and, indeed, for the control of money in working class households.[19] Savings banks not only encouraged thrift but also independence.

Zoë Lawson investigated savings banks in Lancashire in the mid nineteenth century. The account balances were small with, for example, 58% of balances in Preston Savings Bank in 1856 being under £20[20] and only 5% above £100. Savings banks provided the opportunity for the accumulation of savings based on relatively small amounts. Lawson also investigated occupations of savers. Two categories stand out in Lancashire, tradesmen/shopkeepers and, unsurprisingly, textile workers. For example, in Blackburn Savings Bank in 1850, some 30% of accounts were held by textile workers and 13% by tradesmen/shopkeepers. Nationally this latter category amounted to 25% - the figures for Lancashire being affected by the dominance of the textile industry. In Colne Savings Banks the average length of time for holding an account ranged from 6 years and 10 months for servants, to 9 years 1 month for textile workers and 11 years 6 months for miners. Lawson also notes some of the reasons written in the banking ledger given for holding the account including, financial security, saving for a better life, aspiration for new jobs and protecting money from others (perhaps a husband, for example).[21]

[18] Perriton and Maltby, 'Savings Banks', p56
[19] Perriton and Maltby, 'Savings Banks', p47
[20] Although £20 approximates to around £2,200 in today's terms.
[21] Lawson, 'Savings Banks', pp172-177.

Nationally, in 1830, some 51% of depositors held accounts with deposits less than £20 (consistent with the position in Lancashire, albeit in a different time period) and by 1861 there were 1.6m depositors, a four-fold increase from 1830, and total deposits amounted to £39m (an increase somewhat less than three-fold from 1830). In 1852, across the UK, some 25% of accounts (and 27% of deposits) were held by tradesmen, 13% of accounts (14% of deposits) and 22% of accounts held by domestic servants (23% of deposits). Around 12% of accounts were held by married women and 15% by children.[22]

We must be careful not to romanticise these banks. They did not operate like the banking network today, but they did provide a significant service. In respect of the Preston Savings Bank, Lawson notes that, in 1854, the bank was only open on Monday and Saturday mornings, 10am to 1pm, there was a minimum deposit of 1 shilling and a week's notice was required for withdrawal. In some places one period of opening was for deposits, another for withdrawals. Many of the local mill owners acted as trustees of the banks.[23]

The regulatory framework is also instructive. The Savings Bank Act of 1817 required savings banks to place their funds on deposit with the National Debt Commissioners, who invested in government securities, and the government guaranteed interest of 4.75% some 0.75% more than the yield on consols, in effect an incentive to saving subsidised by the state. A maximum of £100 could be deposited in the first year of an account, £50 per annum thereafter. In 1824 these limited were reduced to £50 and £30 respectively, and a maximum total deposit of £200 (together with a declaration that the depositor was invested in only one bank). In 1828 annual ceilings were all set at £30 and the maximum deposit reduced to £150, and the rate of interest reduced.[24] Irrespective of the merit or otherwise of the particulars, the clear policy was aimed at encouraging savings amongst the working class and not providing subsidy for the middle classes.

The problems of fraud, regulation, the role, perhaps, of voluntary trustees with vested interests led to the establishment of the Post Office Savings Bank in 1861. A national savings bank, regulated by Parliament, available to all, with lower deposit requirements clearly appealed to the less well-off. By 1875 there were 1.8m depositors with an average balance

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[22] Albert Fishlow, 'The Trustee Savings Banks, 1817-1861', *The Journal of Economic History*, Vol 21, No 1 (March 1961), pp26-40.
[23] Lawson, 'Savings Banks', p179.
[24] Fishlow, 'Trustee Savings Banks', p27-30.

of £5.45, compared to the 'trustee' savings banks with 1.5m depositors and an average balance of £29.[25]

The requirement for a minimum deposit often excluded the poorest savers. Hence, from 1850 onwards 'Penny Banks' developed, essentially gathering very small savings from the poorer working class. Depositors could place anything from a penny to a shilling with the bank. They were often associated with churches, missions, schools, mechanics institutes and so formed part of the plethora of voluntary institutions in Victorian Britain. Many took, however, a geographical title and were linked either formally or informally to savings banks, where the Penny Bank placed its deposits and to which depositors were directed when savings exceeded £1. The Huddersfield Preliminary Savings Bank illustrates by its name its role as a nursery, both for savings and for the bigger bank. The Birmingham Penny Bank, established in 1851, grew to 13,000 depositors. In 1867, the Penny Banks held some £60,000 in total deposits. Inevitably the Penny Banks faced some of the same issues as the savings banks. In 1865, Glasgow Penny Bank adopted protocols that required more than one member of staff to be present at account openings, two records of every transaction, a weekly deposit in the savings bank and a balanced ledger and audit every six months. The Penny Savings Bank Association was formed in 1866. Banks often opened immediately after the payment of wages. Banks in schools (especially ragged schools) where there were also schools of industry for the teaching of trades linked education, training and saving.[26]

Assessment and conclusions

How are we to assess this landscape of voluntary banking and financial institutions and learn lessons for today?

The complexities were many. Fraud or embezzlement could collapse a savings bank. Powerful elites could indeed exercise inappropriate control or simply act in their own self-interest. Local independence which sought to avoid regulation and inspection did not always end well. Coverage was patchy.

[25] Perriton and Maltby, 'Working Class Households and Savings,' p425.
[26] See Ross, 'Penny Banks', and also H. Oliver Horne, *A History of Savings Banks*, (London: OUP, 1947), ch. X.

Yet, there are a number of positive characteristics of these institutions the loss of which in todays centralised and consolidated market is a real loss.

First, a wide range of societies provided for a diversity of needs. Penny Banks, Savings Banks, Friendly Societies, Building Societies aimed at different groups in society with different needs and aspirations. One size does not fit all. For some a regular subscription for insurance against sickness was the priority, for others, a ‘penny’ a week established the idea of saving within an individual.

Secondly, regional and local management and control was an important characteristic. Most banks carried a local name in the title, trustees were local business people, links between the different elements of the system (Penny Banks to Savings Banks) led to support, back-up and confidence.

Thirdly, independence is a virtue to be cherished. The history of regulation clearly showed the need to protect the depositor against malpractice. However, there was something powerfully, both socially and practically, in the operation of an independent local society or bank with a dedicated aim; the encouragement of saving, or the provision of a benefit. These independent local societies provided fraternity, a supportive environment for the encouragement of saving and self-help.

Fourthly, these institutions contributed far more to social cohesion and development than they are often credited with. The operation of a local bank enabled women to gain some independence as well as providing for savings by children.

This portrait of local, independent societies providing for the variety of financial needs of working people is not intended to gloss over difficulties or complexities. However, perhaps in our current landscape of finance and banking we have centralised and consolidated so much that we have lost sight of the real social and economic benefit which is derived from greater variety and diversity, more locality and independence and, indeed, perhaps even more targeted provision; the very concept of a *savings* bank seems to have disappeared into the mists of times. The classic savings bank was first absorbed into the Trustee Savings Banks, and then into one of the big clearing banks. Maybe it is time, once again, to encourage that targeted local provision? Maybe it is time once again, to encourage the virtue and prudence of saving?