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The Heyday of the Gold Standard, 1820-1930

1914 August 6

Currency and Bank Notes Act, 1914: 'A Bill, To authorise the issue of Currency Notes, and to make provision with respect to the Note Issue of Banks'. Issued one day after Britain declared war on Germany, this act permitted the Government to print notes as legal tender in place of gold sovereigns and half-sovereigns. By withdrawing gold from internal circulation, this Act effectively suspended the gold standard and in practice allowed for an inflationary expansion of the money supply enabling the Government to print notes to cover its obligations. Consequently, the Act gave the Government, operating through the Bank of England, great latitude to the Bank of England in issuing notes beyond the limit authorised by law. The Royal Mint continued to mint gold sovereigns until 1917, although with the issuance of large amounts of paper money, gold coins were soon withdrawn from circulation.

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Be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

- 1.— (1) The Treasury may, subject to the provisions of this Act, issue currency notes for one pound and for ten shillings, and those notes shall be current in the United Kingdom in the same manner and to the same extent and as fully as sovereigns and half-sovereigns are current and shall be legal tender in the United Kingdom for the payment of any amount.
- (2) Currency notes under this Act shall be in such form and of such design and printed from such plate and on such paper and be authenticated in such manner as may be directed by the Treasury.
- (3) The holder of a currency note shall be entitled to obtain on demand during office hours at the Bank of England payment for the note at its face value in gold coin, which is for the time being legal tender in the United Kingdom.
- (4) The Treasury may, subject to such conditions at to time, manner, and order of presentation as they think fit call in any currency notes under this Act on paying for those notes at their face value in gold.
- (5) Currency notes under this Act shall be deemed to be bank notes within the meaning of the Forgery Act, 1913, and any other enactment relating to offences in respect of bank notes which is for the time being in force in any part of the British

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Islands, and to be valuable securities within the meaning of the Larceny Act, 1861, and any other law relating to stealing which is for the time being in force in any part of the British Islands, and to be current coin of the realm for the purpose of the Acts relating to truck and any other enactment.

(6) For the purpose of meeting immediate exigencies all postal orders issued either before or after the passing of this Act shall temporarily be current and legal tender in the United Kingdom in the same manner and to the same extent and as fully as current coins, and shall be legal tender in the United Kingdom for the payment of any amount.

The holder of any such postal order shall be entitled to obtain on demand during office hours at the Bank of England payment for the postal order at its face value in any coin which is for the time being legal tender in the United Kingdom for the amount of the note.

Provisos (b) and (c) to subsection (1) of section twenty-four of the Post Office Act, 1908, shall not apply to any such postal orders.

This subsection shall have effect only until His Majesty by proclamation revokes the same, and any proclamation revoking this subsection may provide for the calling in or exchange of any postal orders affected thereby.

2. Currency notes may be issued to such persons and in such manner as the Treasury direct, but the amount of any notes issued to any person shall, by virtue of this Act, and without registration or further assurance, be a floating charge in priority to all other charges, whether under statute or otherwise, on the assets of that person.

3. The governor and company of the Bank of England and any persons concerned in the management of any Scottish or Irish Bank of issue may, so far as temporarily authorised by the Treasury and subject to any conditions attached to that authority, issue notes in excess of any limit fixed by law; and those persons are hereby indemnified, freed, and discharged from any liability, penal or civil, in respect of any issue of notes beyond the amount fixed by law which has been made by them since the first day of August nineteen hundred and fourteen in pursuance of any authority of the Treasury or of any letter from the Chancellor of the Exchequer, and any proceedings taken to enforce any such liability shall be void.

4. Any bank notes issued by a bank of issue in Scotland or Ireland shall be legal tender for a payment of any amount in Scotland or Ireland respectively, and any such bank of issue shall not be under any obligation to pay its notes on demand except at the head office of the bank, and may pay its notes, if thought fit, in currency notes issued under this Act:

Provided that notes which are legal tender under this section shall not be legal tender for any payment by the head office of the bank by whom they are issued for the purpose of the payment of notes issued by that bank.

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This section shall have effect only until His Majesty by proclamation revokes the same, and any proclamation revoking this section may provide for the calling in or exchange of notes affected thereby.

5.— (1) In this Act, the expression “bank of issue” means any bank having power for the time being to issue bank notes.

(2) This Act may be cited as the Currency and Bank Notes Act, 1914.

(3) This Act shall apply to the Isle of Man as if it were part of the United Kingdom, but shall not apply to any other British possession.

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Source: Great Britain, Parliamentary Papers, House of Commons, 1914, 361, vol. 1.