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IN DUTY BOUND

by John Wadsworth



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*A Story of Banking in the Channel Islands
during the Occupation: 1940 - 1945*

by

John Wadsworth

M I D L A N D B A N K L I M I T E D

PREFACE

This is a story of the Channel Islands, telling of the branches of the Midland Bank and those who worked in them during the occupation. It first appeared as part of the war history of the Bank, which was published by Messrs. Hodder and Stoughton in 1946, under the title of *Counter Defensive*, and they have kindly given consent to this reprint. But the story is complete in itself, for banking is concerned with all sides of business and private life, and the experience of the Channel Islands was unique in that they were the only territory of the British Isles to suffer occupation by enemy forces. The Midland Bank has been pleased to arrange this publication, presenting in convenient form a remarkable chapter in the long history of the Channel Islands. The cover has been designed by Edmund Blampied.

J.W.

March, 1948.

IN DUTY BOUND

THE CHANNEL ISLANDS

NEARLY a hundred miles off the southern shores of England stand the Channel Islands, the most southerly outposts of the United Kingdom, and nearer to the French coast than Dover is to Calais. Jersey, Guernsey, Alderney and Sark are the principal islands of an archipelago, embracing in all an area of little more than seventy-seven square miles, or about a third that of the Isle of Man and half the figure for the Isle of Wight. So responsive is the soil and favourable the climate that a population of 95,000 was maintained in pre-war years, an average density exceeding 1,000 per square mile, rising to 1,600 in Guernsey, remarkable figures for areas dependent largely upon farming. To a highly developed and specialized agriculture producing mainly for shipment to England are added the attractions of residence for retired and wealthy persons in islands where charm of scenery is matched by mild climatic conditions. Most manufactures and a high proportion of the islanders' food are imported, even potatoes being shipped to Jersey on occasion, but an apparent adverse trade balance is more than offset by invisible exports derived from tourists and residents from the mainland. For centuries the islands have been included in the British Isles as part of the ancient Dukedom of Normandy, an allegiance reinforced by ties of friendship and commerce. Nevertheless, they constitute part of the coast of France, and it was this which made defence impracticable when the adjoining French territory was occupied by Germany.

In constitution the islands operate under charters ten years older than Magna Carta itself, giving to Jersey and Guernsey the privilege of a large measure of self-government which they have developed and enjoyed for centuries. The States of Jersey and the States of Guernsey, including Alderney and Sark, each have a separate government, each with its own Bailiff and a Lieutenant-Governor representing the British Crown, and each with a body of law and custom distinct from that of the mainland and with differences between the islands themselves. In business activity, also, the principal islands follow separate courses. Jersey with its southern slope supports a population exceeding 50,000 on an area of about 40 square miles largely by the outdoor production of early potatoes, followed by a field crop of late tomatoes. In

Guernsey, where the land slope is northerly, agricultural activity is concentrated upon glass-house growing, early tomatoes being the principal crop, though grapes, melons and flowers are also exported, and a population exceeding 40,000 is supported upon 24 square miles. Both islands have an important cattle industry, with world-famous herds, and both a substantial tourist trade. In 1938 exports from the Channel Islands to the United Kingdom amounted in value to £4 $\frac{3}{4}$ millions, or on an average around £50 per head of the population, roughly equally divided between Jersey and Guernsey, while imports from the United Kingdom exceeded £6 millions, or more than £60 per inhabitant, and it is of interest to note that these averages substantially exceed similar figures for New Zealand, where the value of imports and exports per head of the population is normally the highest in the world for a separate country. The official language is French, but English is the tongue of newspapers and people, except in country districts where an island patois persists. While each island has its own courts of law and conducts its own finances, without aid from the British Treasury, responsibility for defence rests with the United Kingdom.

Generally speaking, the forces uniting the islands to the mainland have gained in strength during recent decades, partly because of island specialization upon produce for mainland consumption but also by measures for mutual assistance. Thus the employment of Bretons in the potato lifting has been replaced by labour drawn from England as a measure of relief for unemployment, and contributions have been made from island resources towards the costs of Imperial defence. Commercial ties have been strengthened by the union of all local banks with great English institutions and, while the traditional form of banking assistance to island growers and business continues, all the facilities and services of the British banking system are now available to the Channel Islands. In past years both Jersey and Guernsey have issued local States currency notes and at the outbreak of war Guernsey States notes were in circulation. Both Governments have borrowed upon their own bonds and other securities, which are held by the island population. Naturally, the principal currency in use in peace-time consisted of English notes and token coin, with States notes in Guernsey, and local copper coin in both islands.

BEFORE THE OCCUPATION

As part of the general system of emergency preparations Channel Island branches of the Midland Bank prepared duplicate

records, eventually deposited in custodian branches on the mainland. Similarly, cash reserves were strengthened in view of the remoteness of supplies and uncertainty and added cost of transmission. No other special precautions were taken and the experience of 1914 offered no warning, for then no British territory was lost to the enemy. While the German armies were sweeping through France, banking in the Channel Islands went on just as usual. Indeed, the season of 1940 began well, excellent crops and remunerative prices promising to counterbalance the curtailment of tourist trade and provide a generous margin, though already the available shipping space was proving inadequate for market needs. With the collapse of France all was changed, and the islanders became concerned for their freedom rather than a season's trade. On June 19, 1940, it was made known that the islands would not be defended, the militia being disbanded and the Lieutenant-Governors withdrawn. While Britain conserved her meagre forces to defend the mainland, the Channel Islands were left open to the enemy : occupation was at hand.

In the twelve days which remained before the Germans actually entered, the islanders prepared for their ordeal. Large numbers of inhabitants left for the mainland, many of them children with their parents, men of military age seeking to enlist, and those of mainland birth with others choosing to take refuge in England. Over ten thousand left from Jersey and nearly twice as many from Guernsey in those few days. In consequence the banks were flooded with additional work ; requests for transfers of balances, for movements of securities and above all demands for cash poured in day by day. At that time in England it was announced that Guernsey notes were to be accepted at par. Long queues stretched from bank counters, and, as the outward flow of currency rapidly rose, the States authorities restricted cash withdrawals to ensure an even distribution of limited resources : in Guernsey no more than £20 could be paid out in cash to any one person and in Jersey a limitation was similarly enforced, while an Act required the banks to close at 1 p.m. Even so, the substantial banking reserves were strained, and at that late hour in the islands' emergency further supplies of currency were rushed from the mainland.

Far weightier matters were under discussion at the banks. Though deeply embedded in island life, they were branches of English institutions : should they be withdrawn, just as the military forces were brought home ? In their strongrooms were the securities of customers amounting in value to several millions of pounds

sterling, and in their tills substantial holdings of cash, a rich prize for the enemy if left for him to seize. Already many customers had left for England: were the banks to stand? They remained, and their story during the occupation shows how wise was this decision.

The Midland Bank had two branches at St. Helier, Jersey, both deriving from long-established local firms: one at Library Place, based upon the business of the former Channel Islands Bank, and the other, in Hill Street, upon that of the Jersey Old Bank, which had been absorbed by the Channel Islands Bank. In Guernsey the branch in High Street, St. Peter Port, had been in operation since the beginning of the century, and had opened three sub-offices, at St. Peter-in-the-Wood, St. Sampson's Harbour and on Sark. On both islands the branches played a vital part in financial arrangements. Most of the staff were island-born, but some were from the mainland and others of military age, several of whom, in accordance with the recommendation of the States authorities, sailed for England. Altogether, eight men and two women migrated out of a total of forty-one men and twelve women employed in all the Bank's branches. As the pressure upon reserves of cash increased, further supplies from England were sent in the care of two inspectors of the Bank to replenish the tills of all banks, and arrived the day before demilitarization was announced. Jersey absorbed £300,000 but in Guernsey, where currency was available from States issues, reinforcement from England was not required. Thus currency needed by the public was provided by the Midland Bank, notwithstanding the likelihood of immediate loss by its falling into the hands of the enemy.

On the other hand the invaders' possible gain was very considerably reduced by a brilliantly improvised withdrawal of all bearer bonds and securities held for account of customers. Staffs of the banks and the inspectors worked day and night listing and packing into sacks documents worth millions of pounds in sterling, which at that period could have been negotiated had they fallen into enemy hands. At one stage the burning of all bonds was considered, but fortunately the hastily devised scheme for removal proved possible. Altogether eighty sacks of securities were shipped and safely delivered in London by officials, unshaven and weary after their long hours and hazardous journey: at one stroke the savings of thousands of customers had been preserved and the enemy frustrated. The security registers had been brought away previously, so that no record remained at branches by which



(Reproduced by kind permission of the Bailiff of Jersey)

FRONT AND BACK OF NOTE FOR ONE SHILLING ISSUED BY THE STATES OF JERSEY TO RELIEVE THE SHORTAGE OF SMALL CHANGE DURING THE GERMAN OCCUPATION. THE DESIGNS ARE BY EDMUND BLAMPIED.

the Germans could obtain precise information concerning the private possessions of individual islanders. All that remained were the ledgers of account, some registered securities and deeds, and deed-boxes and parcels left in safe custody.

In protecting customers in this way the branches deprived themselves of all primary records of securities held on behalf of customers, being obliged to rely upon the memory of individuals and secondary records where these were available. When it is recalled that at this time the banks in Britain were working late hours to transmit securities to Canada, the burden of additional effort to deal with the needs of the Channel Islands will be appreciated. Following upon this noteworthy action, occasional telephone calls were still exchanged with head office, but eventually from London came a last message that no more could be done for the islands and that the bank business would henceforth have to be conducted under the sole control of the managers. They replied, it is remembered, that "they would be all right".

THE ENTRY OF THE GERMANS

First measures for invasion took the form of an air-raid on the evening of Friday, June 28, which brought damage and some casualties to both islands. Later, instructions were dropped by German aircraft giving directions concerning the impending occupation by German troops, and on Sunday, June 30, 1940, and the following day, in normal times renowned as devoted to the half-yearly balance, the enemy landed on the airports of both islands. When the islands were "occupied" the managers of branches at once destroyed any remaining codes, specimen signatures of officials and other controlling mandates which might be of use to the enemy. In the first German orders a direction required the banks to continue business as usual and declared the rate of exchange for occupation marks to be five to the £, a gross over-valuation of German currency which lasted for only a few days. No other special banking measures were taken, save that in Jersey the closing hour of 1 p.m. daily remained in force: the banks continued to conduct their business in the usual way. In Guernsey, the sub-offices at Sark and St. Peter-in-the-Wood were closed. Far larger numbers of residents had hurriedly left Guernsey than had migrated from Jersey, so that glass-houses and other commercial organizations were without business, labour or adequate direction. Accordingly, the Guernsey States established an Executive Committee with wide powers, which took control of about

two thousand glass-house properties besides other businesses. This direct concern with commercial undertakings extended to most sides of island activities, and meant that in Guernsey relations between banks and the States tended to be expressed more often in correspondence and documents than in Jersey, where a States Superior Council acted similarly, though less formally, as controlling executive, but it was only a difference in approach to the same set of problems.

First among the peculiar difficulties were those arising out of separation from the mainland. When all communications were severed the external trade of both islands ended immediately ; the principal source of supply of foodstuffs was closed and incomes from Britain in the form of pensions, dividends and interest were cut off. Even between the islands communications were infrequent and irregular, and use of them depended entirely upon the consent of the German authorities. Both islands had to become as self-sufficient in food and other commodities as possible, obtaining, under the German régime, only a bare minimum of essential imports from France, while both had at first to relieve acute unemployment as well as those residents suddenly deprived of pensions and regular incomes. Further difficulties arose because the island populations were divided, many having sought refuge in England. Again, the problems of the occupation itself weighed heavily upon the finances of the islands, deprived as they were of normal revenues and obliged to meet greatly increased expenditure, including the housing and maintenance of thousands of occupying troops, with a currency confused by the rapid introduction of occupation marks. Above all, occupation by an enemy power brought oppression, hardship and a host of personal afflictions which could be borne only by stubborn faith in eventual liberation.

In banking forethought and preparation proved their worth by enabling islanders on the mainland to resume their financial affairs without difficulty. For the Midland Bank the duplicate records in England were brought to London where a special Channel Islands Department was established. Information concerning individual accounts was available up to June 27, 1940, and a complete set of books for all the Channel Islands branches was reconstructed to that date, involving thousands of separate accounts. An interesting side-light on this remarkable achievement is given by the ingenious treatment of cheques in course of collection. At the time of occupation cheques sent out from the Central Clearing House in England presumably had reached the Channel Islands

banks upon which they were drawn, but no duplicate record of postings to individual accounts had been received since June 27 and no further mail could be sent following upon occupation. Accordingly, the microphotographs of all these items, taken as the normal clearing house record, were enlarged to actual size, prints made of each cheque and entered in the reconstructed accounts in the Channel Islands Department in London. The contribution of photography to accounting was thus proved to the full, for by no other means could the reconstruction of accounts have been made so swiftly and completely. So also the system of duplicate records at custodian branches was shown to be quite reliable, even in a massive accounting operation of this nature. Meanwhile it is now known that on the Channel Islands the original cheques had been debited in the books of the branches: the first of the long series of duplicate entries had been made, to await clearance at the merger operations which followed upon liberation.

Channel Islanders who had reached Britain could thus conduct their accounts just as usual, and deal in the securities which had been brought over. What is more, they could do so at whichever branch of the Bank was most convenient to their place of refuge, the Channel Islands Department in London arranging transfers wherever required. True, in law, accounts and securities from the Channel Islands were subject to the control of the Custodian of Enemy Property, but the banks pressed a claim for these to be released and a general licence was issued permitting all usual transactions. On the islands the customers remaining could also operate their accounts in the ordinary way, and, since during the occupation it was impossible to arrange external security transactions, they suffered little inconvenience from the removal of their securities to England where they knew them to be safe. In fact the securities from the Channel Islands at first were deposited in Bread Street, London, branch but in May, 1941, this building was completely destroyed by enemy action as may be seen from the illustration facing page 14. Happily the securities in the strong-rooms were unharmed, and they were moved to premises in Fleet Street, London, where they remained in safety.

As regards the Bank's book-keeping, two full sets of accounts for each customer were conducted throughout the occupation. Some duplication was inevitable and many uncertainties existed: cheques in course of collection, to which reference has been made, were posted in both sets of accounts; the Midland Bank regarded it as a duty to pay in Britain such items as sums due for insurance

policies in order to protect the customers' interests, while in the islands representatives of the insurance companies also collected amounts due for premiums, thus providing another series of duplications.

The holders of some joint accounts, as well as the controlling bodies of various firms and companies, were divided, and the bank accounts were operated both in London and the islands, each section without knowledge of the transactions of the other. The collection of dividends and coupons and all essential security transactions such as the encashment of drawn bonds were undertaken in London for account of Channel Islanders, and proceeds reinvested on behalf of the absent owners to ensure that their incomes were not lost. Moreover, where hardship would have followed upon the suspension of regular payments from the Channel Islands to relatives or dependants in England, the Midland Bank continued to make these transfers acting upon its own responsibility, pending liberation and ratification. All such helpful endeavours were keenly appreciated by those concerned, but all gave rise to entries of which the local branch had no information, just as in London no record was available of cheques drawn and debited in the Channel Islands. Generally, however, the active Island accounts in Britain were operated by Channel Islanders on the mainland, and, except as mentioned earlier, where the account holder was in the Channel Islands the duplicate account in England remained dormant.

OCCUPATION FINANCE

In the Channel Islands the Germans elected to make use of the existing forms of Government, usually conveying their orders to the States authorities, by whom they were transmitted to the people. By this means the friction of occupation was reduced, the Germans gaining the advantage of established political organizations and the Islanders the benefit of a buffer between themselves and German demands. The ordinary business of the islands, so far as it did not directly concern the German forces, was left to be carried on by the people and States authorities as best they could under the general instructions given, for example, as regards banks, that they were to continue as usual. Indeed, apart from the injection of mark currency the Germans did not directly interfere with the banks for over a year-and-a-half: the German bank administrator was not even appointed until eighteen months after the occupation began.

The immediate and urgent banking problems which followed occupation were therefore settled by agreement between the States authorities and the banks. First among these was the position of many customers suddenly deprived of trading or personal income. All were treated as generously as circumstances allowed; for example, many growers and traders with cheques in course of collection on the mainland were permitted to borrow against them, though the fate of the cheques could not be known. Next were pensioners and those depending upon annuities paid from the mainland. Here the position was discussed with the States authorities in both islands, and, by arrangement, the banks made advances as required to the extent of about two-thirds of the income which would have been received. In Guernsey, advances of this nature were made following upon specific requests from the States authorities, and supported by the States' guarantee, whereas in Jersey the arrangement was in general terms. In similar circumstances many old customers, whose affairs for various reasons were outside the scope of the States' schemes of assistance, were helped by the Bank to surmount difficult years. And lastly, the States' borrowing and currency positions soon gave rise to special anxieties.

When the Germans entered the islands cash holdings at all branches were high, the special strengthening of reserves having proved more than adequate to meet abnormal, but regulated, withdrawals. For about a year sterling currency resources tended to rise, no doubt partly because unusual withdrawals were brought back to the banks, and partly by reason of the diminished need for currency in circulation as the volume of trade fell away, but also because no remittance of cash out of the islands could be made. Whatever currency was there, for the time being had to stay, and as stocks in shops were sold, currency mounted in the banks. Meanwhile, ever larger quantities of occupation marks were brought in by the Germans and freely circulated, the residents being required to accept them at the official rate of exchange. After little more than a week at five marks to the £, the rate was raised abruptly to eight marks, a week later it was reduced to seven, at which figure it remained until early September, 1940, when it was raised again to 9.60. Here it was held for two years, being adjusted to 9.36 in September, 1942, and staying at that level during the rest of the occupation. This corresponded to a rate of 20 French francs to the mark and 187.20 French francs to the £. These rates compare with the last quotation for German marks of 11.10 to the £ and par value of 20.43 at the end of August, 1939, and so presented, until stocks in shops were exhausted and wages

and prices generally adjusted, a handsome benefit to German authorities and individual soldiers within the islands.

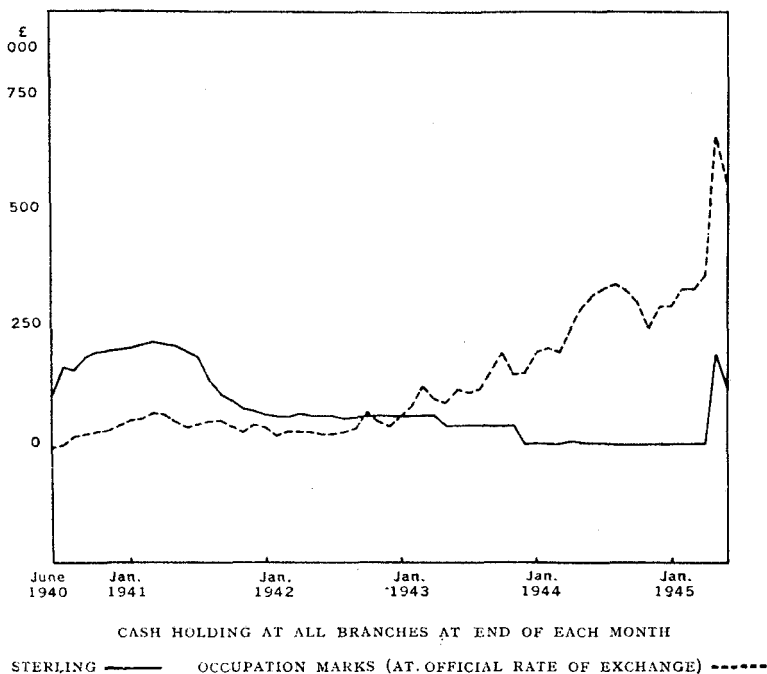
Soon marks were pouring into the banks which were obliged to accept them for the credit of customers' accounts at the prescribed rate. At first, mark holding in the tills and sterling currency rose together as shops and traders were denuded of stocks, but after the first year of occupation supplies of sterling currency began to fall. British currency notes were being hoarded, collected by German soldiers, and even passed to France : the occupation marks were bad money driving the more highly prized sterling out of circulation. Not until the end of 1943 did the German authorities commandeer the sterling currency holdings of the branches, and by then for this Bank they were much less than half of the aggregate at the time of occupation.

Meanwhile, a second financial expression of the occupation had become of importance. Shortly after the Germans entered, the States authorities in both islands began borrowing from the banks. Expenditures were running far in excess of revenues, and, despite an increase in income tax from 9*d.* to 4*s.* in the £ in Jersey, with an additional tax of 2*s.* on salaries for two years, and from 1*s.* 6*d.* to 5*s.* in Guernsey, assistance was needed to bridge the budget deficiency. The bank managers were ready to help ; indeed, they had no choice, and soon considerable amounts were being borrowed in this way. In Jersey the method was to issue to the banks Treasury Bonds of the States authorities at 2½ per cent and later at 1½ per cent interest, while in Guernsey the advance was by way of overdraft, the interest rate being left for discussion after liberation. Now it was clear that States' borrowings in the enclosed communities which the islands then were, could only be spent in the islands, subject to payment for imports from France. Such borrowings, therefore, were reflected in an increase in bank deposits, customers' balances rising as a result of States' expenditure directly or through the German forces. This enforced borrowing by the States thus constituted a form of direct inflation, encouraging, as always, price irregularities and the emergence of a " black market ".

How closely banking figures reflected the broad trend of occupation finance is shown by the graph and diagram which follow. The graph, in which the actual sterling currency held at all branches in the islands is compared with occupation marks similarly held, shows how the marks supplanted sterling and, in Guernsey, local issues. Before 1943, when all remaining sterling holdings at the

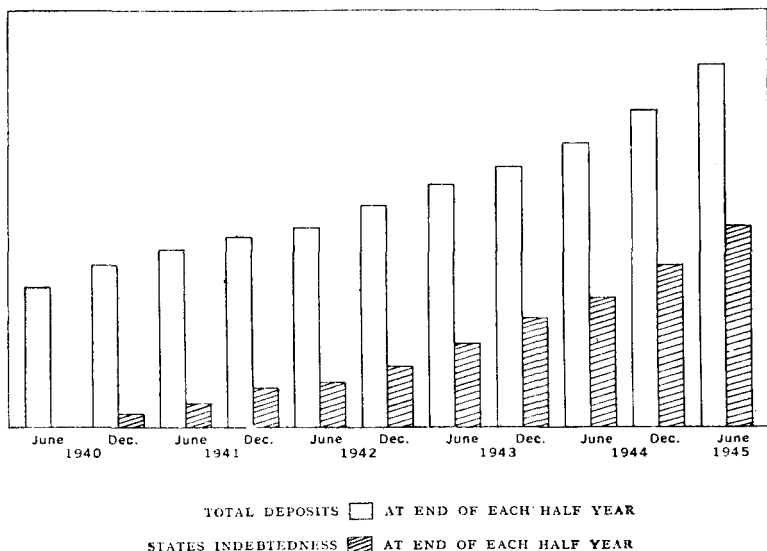
banks were commandeered, marks had become the currency in everyday use. In Guernsey, surplus supplies of marks at first were passed over to the States authorities, whereas in Jersey they accumulated in the banks, until reduced by direct levies of the Germans to which reference is made later. Although marks were in general use the banks continued to maintain all customers' and their own accounts in sterling symbols, a significant act of faith, and customers paying in German marks for their accounts were credited in the bank's books in sterling at the official rate, for most of the period of the occupation, of 9.36. Just as odd was the payment out to customers who presented cheques for cash, drawn in sterling, of the equivalent in marks at the official rate. The drawer of a cheque for ten pounds would thus receive 93 marks, 60 pfennigs : a process adding considerably to the complexities of bank book-keeping.

CHANNEL ISLANDS BRANCHES OF THE MIDLAND BANK



The diagram below relates the growth of States' borrowing in both islands to the rise in the total credit balances of customers on current and deposit accounts. States' borrowing is taken in its broadest sense to include involuntary indebtedness arising out of marks held at the banks and levies by the German authorities. When it is borne in mind that the whole of the figures are those for branches of one bank it is remarkable how close is the correspondence of the movement of the two sets of statistics.

CHANNEL ISLANDS BRANCHES OF THE MIDLAND BANK



BLAMPIED'S CURRENCY NOTES

Among the currency problems was that of small change, for as a result of hoarding, German souvenir collecting, and the absence of the usual replenishment from Britain, silver soon became exceedingly scarce. In consequence, the States authorities in both islands issued currency notes for sums as low as sixpence with convenient denominations up to ten shillings. It is interesting to record that only this minor local currency issue was carefully controlled; in Guernsey, where the first issue was made in March, 1941, the States were required by the Germans to withdraw and cancel an equivalent amount in their existing issues of £1 notes.

No corresponding control was exercised over the far more important swelling of bank deposits : indeed, the Germans, by their demands upon island resources, and by their issues of occupation marks, made inflation inevitable. The powerlessness of the States authorities in these conditions is well illustrated by the fact that the first Budget in Guernsey after occupation was passed in ten minutes and in subsequent years in four minutes. The rigid control by the Germans of the small change issues represented merely an expression of authority and not a conscientious effort to preserve the circulation from impairment by over-issue.

The printing of the notes has points of interest. In Guernsey, existing local notes provided a style which was followed in the small change issues, but in Jersey the notes were quite new and fresh designs had to be found. In the island lived Edmund Blampied, the distinguished artist, who rose to the opportunity by his subtle and attractive sketches for the back panel of small change notes, one in particular, which forms an illustration facing page 4, depicting a whispered conversation between two typical Channel Island characters, to be interpreted readily enough as a discussion far from favourable to the invaders. A note with a back panel representing an attractive Jersey farm scene is reproduced facing page 18. No objection was raised to the designs, which must have cheered thousands as they passed through their hands day by day. It is also worth remarking that the notes were expressed in shillings and pence, and not in marks and pfennigs, so that the paper currency in circulation continued to be a mixture of sterling and marks, in respect of small change. A common coin in use was the ten-pfennig piece, which, reckoned as $2\frac{1}{2}d.$, remained in circulation for some months after liberation. Incidentally, a similar position arose in respect of postage stamps as island stocks were exhausted. Those of higher value were used cut diagonally for a time, and later the islands each printed their own, in Jersey again to the designs of Edmund Blampied. Thus arose the "bisects" and local occupation stamps which are already of unusual interest to philatelists.

HARDSHIP FOR THE PEOPLE

As months went by stocks of fuel and food were used up, rationing became more severe—bread began to be rationed early in 1941—and various articles such as motor-cars, bicycles and, later, bed-linen not in actual use, were requisitioned. The numbers of occupying forces had greatly increased, at times over 10,000

were in Jersey and twice that number in Guernsey, where the military headquarters for both islands was stationed. Again, prisoners of war had been brought in by the Germans to work upon the substantial fortifications which were constructed and upon road and railway building. In the erection of numerous block-houses, beach walls and defences and gun positions large numbers were engaged ; the unemployment problems of the islands had been short-lived.

The garrison and all the imported labourers pressed hard upon the limited supplies of food available. After a year of occupation tobacco was exceedingly scarce, supplies of locally grown and manufactured "continental" tobacco being quite inadequate, while laundries were closing because of lack of fuel and soap. Such general deprivations were accompanied by personal hardships. Those believed to have harboured English fighting men were deported, the wife of the manager of one of the branches suffering for this reason five months' exile in France. Again, in September, 1942, all those of mainland birth living in the Channel Islands were required to report, and many were carried away to Germany ; about 900 were taken from Guernsey, including a member of the Bank's staff and his wife, and 1,400 from Jersey, also including an official of the Bank and his wife. Nevertheless, conditions in the islands were probably more tolerable than in other occupied territories, the Germans behaving with correctitude and the Channel Islanders with calm.

Until fairly late in the occupation period the German authorities permitted imports of essential food and some goods from France, buying commissions from the islands visiting Granville and arranging shipments. Payments for these essential purchases were made at first in occupation marks, providing an outlet for some of the surplus German currency held in the islands, but after two years the system was changed, finance thereafter being arranged by bank credits, leaving the islands with the problem of an ever-increasing excess of mark currency. At length, however, endeavours were made to control the banks, and benefit from their assets, though the meagre gain must have disappointed the invaders.

THE BANKS RESIST

At the end of 1941 the banks were formally advised that Hans Joachim Caesar, an official of the Reichsbank, was appointed to administer banks in the Channel Islands from Paris. Shortly



BREAD STREET, LONDON BRANCH, WHERE SECURITIES FROM THE CHANNEL ISLANDS AT FIRST WERE STORED, BEFORE AND AFTER DESTRUCTION IN MAY, 1941.

afterwards notification came that he was to visit the islands and requesting the preparation of all kinds of general and statistical information. Sometime later the German passion for statistics led to similar demands upon all commercial undertakings. Among the returns required to be completed by the banks one form contained twenty questions, of which fourteen could not be answered, since the information required was not in existence or was at head office; for example, typical questions asked the nationality of customers and whether any shareholders were Jews.

When the Reichsbankdirektor called at the banks in Jersey he was polite and ready to accept the sketchy information provided for him. The explanation that all customers' securities had been removed prior to invasion "by order" of the mainland authorities appeared to be accepted as satisfactory. He was interested in the system of bank finance for the States and anxious lest the resources of the banks should become exhausted, a surprising anxiety to be expressed by a technical expert, and a Reichsbank one at that. It was hard to convince him that it was not the practice of British banks to record the nationality of their customers, and eventually it was agreed to supply a list giving the information so far as it was known. The list, when completed, correctly described an overwhelming proportion as "British" and the few remaining as "not known", so that whether the intention was to distinguish between Gentiles and Jews, island-born and mainland, or to discover assets of those of other countries, the purpose was not fulfilled.

In course of the visit to Jersey, Caesar was recalled to Paris, his mission incomplete in the larger island and without visiting Guernsey at all. The various returns of information which he required then and later were forwarded from both islands to his office in Paris. He did not come again, but possibly his call bore fruit in subsequent visitations from the invaders which proved to be less innocuous.

Each quarter the banks rendered statements of condition to the Paris office of the administrator, making use for convenience and simplicity of the summarized statements of accounts formerly sent to London. Incidentally, this also represented a method of reporting figures which would be far from clear to the administrator, for these summaries differed between separate banks, even the book-keeping jargon being quite distinct, and their interpretation by the German authorities must have been a difficult task. To the knowledgeable they showed that business in the islands was virtually

static—turnover on current accounts declined to less than half the pre-war level in the first year of occupation ; that the States were meeting budget deficits by borrowing from the banks ; that currency was disorganized by the intrusion of occupation marks and that rising deposit balances indicated the clearing of all stocks and the early stages of inflation. Whether this was plain to the German authorities is hard to say : what they did was to confiscate the tangible assets as far as possible.

In mid-1943 the banks were advised that the occupying authorities would visit them for the purpose of examining all deed-boxes and parcels deposited by customers and removing any articles of negotiable value which might be found. A few days later they came and, after searching several hundred boxes and parcels, confiscated various items valued in all at less than £400 from the branches of the Midland Bank, the sole discovery in one branch being a half-sovereign in gold. It does not seem to have occurred to the inspecting officers that this was a ludicrously small yield. Their mistake had been in giving notice of the reason for their call and so presenting an opportunity for evasive action of all kinds. At one branch deed-boxes and parcels believed to contain bonds or currency were hidden in attics and elsewhere until the search was over : at another, such items were returned to customers or their friends, while at a third, the manager actually went through the deed-boxes before the Germans did so, extracting all items likely to be stolen and hiding them in his home. Such highly irregular acts showed a fine disregard of the rules of their own institution, and of their personal safety, for, if discovered, the penalty would have been at best a long period of imprisonment in Germany for the bank managers. In the event they were not behind their fellow citizens in taking risks to lessen the gains of the invaders.

The next confiscation did not admit of evasion in this way, for at the end of 1943 the banks were required to deliver to the German authorities all sterling currency in their possession. As has been mentioned the inflow of sterling immediately before invasion had passed out to the pockets and stockings of the people ; the sums remaining in the banks in 1943, while still substantial, were far less than in 1940. Nevertheless, it represented an immediate loss of tens of thousands of pounds, for the fact that the Germans proposed to give marks in exchange did not in the eyes of the banks represent payment at all. Every possible means of delay was employed. The right of the Germans to confiscate cash was

challenged under the Hague Convention ; the order in one form referred to " British £ notes " and hence gave rise to queries as to whether notes of other denominations were included ; substantial payments out in sterling currency to the States authorities were suddenly found to be necessary and were made ; and finally the States were asked to lend support to a formal protest, and did so.

Despite the protest the sterling currency was confiscated, but the bank managers then refused reimbursement in occupation marks, for which they would give no receipt. Strangely enough this seriously disturbed the German authorities, who presumably were unable to clear their books of the transactions or to justify themselves in any formal way. Eventually, in May, 1944, after months of delay, a meeting of the States authorities, bank managers and the German authorities was held in Jersey, a meeting called abruptly by the German command. The bank managers were adamant : they would not sign a clear receipt ; the German authorities were just as firm : sign they must. At one stage the States' representative asked if he might withdraw to his own chambers and discuss the impasse with the representative chosen from among the managers, but this was flatly refused—none was to leave that room. " Are they, then, under arrest ? " indignantly inquired the States official. " Not at the moment," was the sombre reply. At length the managers agreed to give, and the Germans to accept, an acknowledgement incorporating the words " received with all reserve ". The battle had been not without moral gain to the banks, and it had been skilfully and bravely fought by men with no personal interest in the issue. The sterling commandeered exceeded £42,000 from the branches of this one Bank.

UNDER SIEGE

For the remainder of 1944 the German authorities made direct levies in marks upon the islands, sums which were simply abstracted from the tills of the banks, the equivalent amount in sterling on levy accounts in the Jersey branches of this Bank alone being more than £455,000. By this time the British invasion of Normandy had opened, and the German garrisons were soon separated from the main body of the German army : the time of siege was beginning. During the years of occupation conditions in the islands had worsened ; fats and sugar were now very scarce, new clothing a rarity and such commodities as tea and tobacco virtually un-

obtainable. Radio sets were confiscated as the battle went against Germany, though many Channel Islanders illicitly listened to British broadcasts. Indeed, most had access to outside news in some way or other ; at least one branch manager kept a crystal set in his branch strongroom, hidden from the prying eyes of the Gestapo, while British aircraft dropped printed bulletins, and, notwithstanding the severe penalties for anyone reading or retaining them, copies of "Le Courrier de l'Air", presumably intended mainly for French reading, are still to be found among branch papers. A few bold Islanders now began to escape in small boats to England and France, despite the vigilance of Gestapo sentries, and a son of one of the Jersey managers, a youth of nineteen years of age, succeeded in reaching England. The news of Allied victories brought encouragement, and the assurance that liberation was on the way.

The Channel Islands were not forgotten, and on all sides efforts were being made to help them. The Chairman of the Midland Bank referred to the Channel Islands in his statement to shareholders relating to 1943 as follows: "Here I would like to say a word about those branches of the Bank, in the Channel Islands, which have been cut off from us by enemy invasion. Our plans are made for resumption of our former activity at the earliest practicable moment in the course of liberation ; and I would assure Channel Islanders, whether refugees in this country or serving in H.M. Forces, that they shall not lack the fullest possible financial support from this Bank when the time comes for them to embark upon the task of rehabilitation. All aid will be given in re-establishing the normal economic activities of the Islands and in restoring conditions in which their people can once again go about their business in peace and prosperity." The Bank was already considering the best means of helping the islands when liberation was achieved.

They stood in need of encouragement, for the lack of food, light and warmth was taking toll of health and spirits. After the Allied invasion of France siege conditions began. The absence of coal meant that such food as was obtainable had to be cooked by wood fires, and a large part of every Islander's day was spent in collecting and chopping wood. It meant, also, that no gas or electricity was available for lighting, nor was there oil for lamps. The branches did their best with candles, but in Guernsey, where the shortage was more acute, supplies soon ran out. For a time the members of the staff contributed from their small stocks, but



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FRONT AND BACK OF NOTE FOR TEN SHILLINGS ISSUED BY THE STATES OF JERSEY TO RELIEVE THE SHORTAGE OF SMALL CHANGE DURING THE GERMAN OCCUPATION. THE DESIGNS ARE BY EDMUND BLAMPIED.

this could not last long. Eventually, a licence to buy candles was obtained: it permitted the purchase of two candles for three months! When the necessity for visiting the strongroom several times a day is considered, a basement strongroom where artificial light is always needed, the severity of the restriction will be appreciated.

At Guernsey, a further blow had been suffered in June, 1944, when Allied air forces attacked a submarine sheltering in the harbour just beside the Bank. A bomb falling fairly near shattered all the glass in the branch, bursting window frames and breaking down partitions and ceilings so that the premises were unusable for ten days. The main problem was shortage of food and fuel: rations were inadequate and the Islanders were hungry, food upon the "black market" being available only at very high prices. At last some relief came. The regular diary maintained at Guernsey branch, a sober, official record of business events, has one entry in red ink, the only entry so distinguished. Under date December 27, 1944, is written "Red Cross Ship 'Vega' arrived with very welcome stores which were delivered to all persons . . . on Sunday, December 31st". Many consider that the Red Cross relief saved the islands from starvation. The Germans themselves also suffered from the acute food shortage, and looting and stealing with violence by hungry soldiers became frequent; the troops were becoming hard to control. No doubt it was the desperate plight of the islands which tipped the balance in favour of the surrender by the German garrisons in May, 1945. Those of the liberating forces first to reach Guernsey observed that no dogs or cats were to be found anywhere, while in Jersey they were rare.

FREEDOM RESTORED

Liberation quickly brought full relief from immediate shortages and a sudden clearing of the oppressive cloud of occupation. Quite soon a second "lift", as the movement of these parties of helpers was called, followed the armed forces, bringing representatives of the banks to examine and report upon conditions. From their observations it was plainly necessary for relief staff to be sent to aid the Channel Islanders in the very considerable task of merging and clearing the numerous outstanding accounts. A senior head office official of the Midland Bank, accompanied by a staff of fourteen, including four women, set out on June 13, 1945. After some delay they embarked from Southampton in a Landing Craft

(Infantry), constituting, with staff from other banks and military personnel, a body of seventy, with personal luggage, duplicate records and stationery, making for one bank alone a load of eight tons. In this unusual vessel a long but uneventful journey brought them to the islands, and to several weeks of laborious toil.

When the islands were liberated sterling currency had been brought in to Jersey, while in Guernsey, States notes, which had been printed secretly in readiness, were available, and an immediate exchange of the German currency in circulation began. All German marks were called in to be exchanged at the rate still current of 9.36. To regulate untoward movements of cash, for a time no individual could take more than ten pounds sterling in Guernsey and five pounds in Jersey in exchange for occupation marks, the remainder being placed upon an account with the bank. Remittances of cash from the islands were also restricted temporarily to £15 monthly for any individual, larger transfers requiring the sanction of the States. It will be realized that the Channel Island banks had continued to maintain all accounts in sterling, though for five years the actual currency in use had been occupation marks. The customers' accounts were, therefore, no more than sterling symbol accounts, reflecting a foreign currency position. The representatives of the Treasury and the banks from London did not enter into discussions as to the true or just rate; the whole position in the islands was taken over at par, nor was any special tax applied to existing balances, as was done, for example, in some countries on the Continent. Those Islanders whose bank balances or German mark holdings had increased therefore received a substantial benefit from this gesture, which did so much to ease and hasten the restoration of normal relations with the mainland.

As soon as the third "lift" arrived it began upon the accounting operating of "merger", the banks being closed on Monday and Tuesday, so that the whole staff could work through from Saturday afternoon upon their heavy duties. In simple accounting alone it was a large operation; thousands of accounts had operated both in the islands and on the mainland and entries had to be reconciled, with adjustments where necessary. All kinds of accommodation accounts were required, straining the vocabulary of ledger nomenclature with such unusual titles as "Merger Adjustment", "Duplicate Postings", "War Emergency", "Sterling Restoration" and even a "Head Office Suspense *Suspense* Account". Yet the work was completed within the time allowed, and on Wednesday, June 16, 1945, bank clearings reopened between the Channel Islands and the mainland, almost exactly five years after the

forcible closure. The banking link had been restored, with normal banking hours and facilities.

Accounting was, however, only a first step, though a most important one. The whole operation was eased because, despite the trials of occupation, the Island branches had maintained accounts in complete order. They had even set up fresh duplicate "custodian" branch arrangements between the banks and branches, replacing those formerly held in the mainland, to safeguard against destruction of premises and records. Moreover, the accounting machines had been kept running, notwithstanding the absence of trained maintenance engineers and lack of spare parts. Next it was necessary to see all the customers concerned to explain the reversal of duplicate entries and report investments made on their behalf, as well as to discuss positions where overdrafts had arisen on either side of the Channel. In all these matters the Bank sought to simplify and smooth the way for customers, making sure in particular that charges were as modest as could be justified and that none suffered hardship from the course of banking events. As stocks returned to the shops and food supplies were restored the towns of the islands assumed a less desolate appearance. A month or so after clearings had been reopened the banks began upon a service which showed that the islands really were at one with the mainland: they opened clothing coupon accounts.

The full process of adjustment took several more weeks, and eventually three months went by before the relief staff could return to London. By then the branches were operating in normal style, and the problems remaining were those requiring settlement in London, or naturally arising out of the resumption of full banking activities. Thus the States' indebtedness was a matter for full discussion and decision in due course, while the demand for banking assistance for growers once more considering taking up their business, by merchants returning to their trade, by hotel-keepers seeking to prepare for tourist traffic: all these were ordinary banking matters forming the stuff and nature of daily business. The problems were not easy; for example, the presence of Colorado beetle in Jersey prevented shipments of potatoes to England for a time, while the extent of interior damage to hotels and boarding-houses in both islands required substantial outlay before earnings could be restored.

From the day of liberation onwards the islands were under military care, but in August, 1945, each resumed control of her own affairs. In retrospect their experience is seen to have been a

severe trial. Many problems arose from the very large numbers of occupying troops ; in Guernsey, where the German High Command was installed, the garrison was usually half as numerous as the civilian population, and at one period actually exceeded it, while in Jersey the number of troops was between a quarter and a third of the residents. In these extremely difficult conditions the Islanders behaved correctly towards the invaders, while making it plain that their allegiance was to Britain. As many as ten thousand from the Channel Islands joined the armed forces of the United Kingdom. Another measure of the burden they suffered is reflected in the war damage, stated to exceed £6 millions altogether, and in the rise in public debt, then estimated in Jersey to exceed £8 millions and in Guernsey £7 millions, or more than £150 per head, nearly all of which had arisen in the years of occupation. Thus they changed from the position of wealthy enclaves, though they still compared favourably with the United Kingdom as a whole where the Government debt was around £500 per head, more than half of which had been created during the war years.

Such, then, is the story of the only branches of banks on the soil of the British Isles ever to fall under enemy control. As a memorandum from bank managers to States authorities early in the course of occupation expressed the position : " The reasons why the branches were left to carry on when invasion was imminent were to keep faith with their customers and for the benefit of the public ", and these self-appointed duties were fulfilled. It was an achievement of character and courage, for when all is said for organization, training and equipment, it is upon individuals and their efforts that banking depends, and those who read the story of banks in the Channel Islands during the years of occupation will come to realize the vital contribution of managers and staff. They worked without accustomed guidance and direction, confronted with weighty, unfamiliar problems, harassed and at times threatened by hostile forces ; they were cold and hungry, and without artificial light for months on end ; they had little to sustain them but the hope of liberation. Yet men near or even beyond retiring age bicycled or walked miles each day to their job ; weary from hours of wood-sawing they still manned the counters and kept the books of the Bank ; with the help of women workers the service was maintained. In the words of a British Government spokesman referring to all who suffered under the occupation : " The Channel Islanders have every reason to be proud of themselves and we have every reason to be proud of them " .

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MIDLAND BANK EXECUTOR AND TRUSTEE COMPANY
(CHANNEL ISLANDS) LIMITED

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