

Frederick Huth & Co

Frederick Huth & Co, a merchant bank established in 1809, the partners in which (in 1918) were Edward Huth, Frederick Huth Jackson, Lewis Huth Walters, Louis E Meinertzhagen and the Acorn Trust Ltd (of which the Huth partners were directors), was a pre-moratorium acceptance debtor to the Bank of England. Its ability to repay the advance was not improved by the revolution in Russia, where it had been very active, or by the death of one of the partners, F Huth Jackson, in 1921. In a support operation at the end of December 1922, the Bank of England lent £1.5m (£620,000 of which was under the Treasury arrangements of December 1921 for refinancing pre-moratorium debt) to the partners in Huth and £0.5m to the Konig Brothers (also merchant bankers), to form a new partnership which was to trade under the same name, Frederick Huth & Co ("new"). Certain doubtful, slow and frozen assets were left in the original Frederick Huth & Co ("old") in which the Bank of England took an interest through a deed of trust with Acorn Trust Ltd. The new Huths traded successfully for a few years, but from the late twenties the company was affected by a deterioration in the relationship between F A Konig and the other Huth partners, and a worsening in trading conditions. Huths set up two subsidiary produce businesses in 1930: Huth Coffee Sales Ltd and Huth Produce Sales Ltd. The new Huth & Co was taken over by The British Overseas Bank Ltd in 1936. The Bank of England acted as guarantor of Huths' debts to BOB. The banking business of British Overseas Bank was sold to Glyn, Mills & Co in 1944, and the two Huths produce companies were sold to Matheson & Co in the same year.

After 1936 efforts were made to compensate and redeploy Huths staff, and the Bank of England was involved in the pursuit of claims against the estates of the deceased partners who, under the terms of various agreements in connection with the BOB takeover, had jointly and severally guaranteed up to 50 per cent of losses arising from the realisation of certain assets. The last two Huth partners died in 1943.

The old Huth & Co was incorporated in March 1928 in the name of Cordillera Investments Ltd with Acorn Trust Ltd taking 415 non-voting shares and the Bank of England 415 voting shares. Certain realisations were made in the 1930s and the proceeds used to reduce the outstanding debt to the Bank of England, and after the Second World War Cordillera was left with claims on Poland and possible liabilities to old Russian customers. Creditors' voluntary liquidation was begun in 1961 and the winding-up completed in 1963, when the Bank of England were assigned the Polish claims and indemnified the liquidator against any liability arising from outstanding Russian claims.

Source: Bank of England archives.

32.

#C C48 DISCOUNT OFFICE (BANKING SUPERVISION) FILES

SUPPNOTES TO PIECES 101 to 113

#XRN 2095

DESC

Frederick Huth & Co, a merchant bank, the partners in which were Edward Huth, Frederick Huth Jackson, Lewis Huth Walters, Louis E Meinertzhagen and the Acorn Trust Ltd of which the partners were directors, was another pre-moratorium acceptance debtor to the Bank. Its ability to repay the advance was not improved by the revolution in Russia, where they had been very active, and by the death of one of the partners F Huth Jackson in 1921. In a support operation at end-December 1922 the Bank lent L1.5 mn, L620,000 of which was under the HMT arrangements of December 1921 for refinancing pre-moratorium debt, to the partners in Huths and L0.5 mn to the Konig brothers, also merchant bankers, to form a new partnership which was to trade under the same name, Frederick Huth & Co ("new"), certain doubtful, slow and frozen assets being left in the original Frederick Huth & Co ("old") in which the Bank took an interest through a deed of trust with Acorn. The new Huths traded successfully for a few years but from the late twenties the relationship between F A Konig and the other Huth partners deteriorated along with trading conditions and absorption the British Overseas Bank (BOB) in 1936.

These files contain papers on the Bank's relationship with Huths from their amalgamation with Konig Brothers in 1922 to their takeover and liquidation by BOB under the Bank's guarantee in 1936. Most of the post-1936 papers are concerned with the compensation and placement of Huths staff and the pursuit by the Bank of claims against the estates of the deceased partners who under the terms of various agreements in connection with the BOB takeover had jointly and severally guaranteed up to 50 per cent of losses arising from the realisation of certain assets.

33.

#C C48 DISCOUNT OFFICE (BANKING SUPERVISION) FILES

SUPPNOTES TO PIECE 114

#XRN 2096

DESC

This file contains copies of deeds, letters and agreements in connection with the dissolution of Frederick Huth & Co in 1936 on its absorption by BOB. Certain of these agreements involved the Bank as guarantor of Huths' debts to BOB. The further agreements in 1943 arose from the deaths of the remaining two Huths partners, Huth Walters and Meinertzhagen and the need to release their estates from the obligations of the 1936 agreements.

34.

#C C48 DISCOUNT OFFICE (BANKING SUPERVISION) FILES

SUPPNOTES TO PIECES 115 to 119

#XRN 2097

DESC

The old Huth & Co was incorporated in March 1928 in the name of Cordillera Investments Ltd with Acorn taking 415 non-voting shares and the Bank 415 voting shares.

Certain realisations were made in the thirties and the proceeds used to reduce the outstanding debt to the Bank and after the second war Cordillera was left with claims on Poland and possible liabilities to old Russian customers. Creditors' voluntary liquidation was begun in 1961 and the winding-up completed in 1963 when the Bank were assigned the Polish claims and indemnified the liquidator against any liability arising from outstanding Russian claims.

These files contain copies of the various agreements involved in the establishment of Cordillera, reports by Deloitte on the old Huths and Cordillera, details of the realisation programme and the winding-up process.

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35.

#C C48 DISCOUNT OFFICE (BANKING SUPERVISION) FILES

SUPPNOTES TO PIECES 128 to 134

#XRN 2101

DESC

British Overseas Bank (BOB) was formed in 1919 by seven UK banks and the Prudential Assurance Co to promote British trade in Europe. By 1924 its controlling shareholders were Williams Deacons, the Union Bank of Scotland and the Prudential. In 1930 it took over the foreign business of H S Lefevre and in 1936 absorbed Frederick Huth & Co.

Heavy commitments in Hungary, Germany and Spain led in 193 to the need for support. This was provided in the form of "deferred" or subordinated deposits from the Bank, William Deacons and the Union Bank of Scotland. Control of the company was vested in two trustees. In 1941 BOB took on the management of the Anglo-International Bank, which it was in the throes of an orderly run-down. In June 1944, BOB's commodity business, inherited from Huths, was sold to Matheson & Co, its banking business transferred to Glyn Mills and the remainder of its assets, all frozen, placed under the management and direction of the Continental Assets Realisation Trust (CART), 70% owned by Securities Trust, which was established in 1939 to take over the frozen assets of the London Merchant Bank. CART's realisation efforts bore fruit enabling distributions to be made. In 1954, when CART's management contract was due to expire a final distribution was made, the few remaining assets being sold to CART and BOB finally wound up, a dummy company being formed to protect its name.

These papers are concentrated around the attempt in 1938 by Governor Norman and the Principal of the Discount Office, A C Bull, to mount the support operation, the problem of placing redundant staff - some came to the Bank, notably Barnes (to Dealers) and Berkley (to the Discount Office), the winding-up in 1944 and the realisation programme thereafter.

BRITISH OVERSEAS BANK LTD

The British Overseas Bank Ltd (BOB) was incorporated on 10 June 1919, at the instigation of the Prudential Assurance Company and eight British banks: Glyn, Mills, Currie & Co and Williams Deacon's Bank Ltd, who were both bankers to BOB; Union Bank of Scotland Ltd; Anglo-South American Bank Ltd; Dominion Bank; Charles Hoare & Co; Imperial Ottoman Bank; and Northern Banking Co Ltd.

A board minute of Williams Deacon's Bank Ltd (5.6.1919) states that BOB was to be 'a protective alliance, firstly for the promotion of mutual interests, and secondly for the development of business in fresh fields'. According to its prospectus, the work of BOB was primarily to 'facilitate the Foreign Trade of the British Isles and the Empire by specialising in all matters of exchange, payments and receipts abroad, and the handling of foreign collections, documents and securities'. Commercial credits would be issued and bills accepted. The eight banks were to 'actively support British Overseas Bank and ... provide the nucleus business'. BOB was to be managed by a board of directors (Chairman A C D Gairdner, and including Brigadier General A Maxwell, a partner in Glyn, Mills, Currie & Co), under the supervision of a governing council (made up of representatives of the eight banks, the Prudential and other firms involved in foreign trade). The banks and the Prudential held one ('B') set of ordinary shares with a controlling interest, the other ('A') set being open to subscription. The Financial Times noted on 17 May 1944 that BOB 'was the largest of the post-World-War-One banks'. The bank occupied premises at 31 Lombard Street, formerly the offices of Anglo-Austrian Bank, later moving to 34 Gracechurch Street.

Williams Deacon's were pleased with their involvement in BOB, and their Chairman reported to Williams Deacon's annual general meeting in January 1921 that 'the results of their first completed year's operations have more than fulfilled our anticipation, both as regards actual profits earned and by way of ... indirect benefits'. BOB had been involved in the formation of Anglo-Polish Bank, Warsaw in 1920, and in 1923 BOB acquired London and Liverpool Bank of Commerce Ltd by purchase from the shareholders, which it put in voluntary liquidation in April of the same year (completed 1939). In 1924 Williams Deacon's, Union Bank of Scotland and Prudential Assurance Co purchased the shares held by the other six banks at par, thereby each gaining one third of the 'B' shares. BOB continued to prosper, issuing its first dividend to the 'B' shareholders in 1925. In 1930 BOB took over the foreign business of H S Lefevre, and in 1936 absorbed the merchant bank Frederick Huth & Co (established 1809).

In early 1938 the Bank of England registered concern over BOB's balance sheet, particularly the lack of provision against German and Hungarian standstill debts, and frozen assets in other countries. The only real prospect of expansion of BOB business lay in the produce businesses (Huth Coffee Sales Ltd and Huth Produce Sales Ltd, both registered in 1930) acquired with Frederick Huth & Co. Williams Deacon's and Union Bank of Scotland decided to sever their direct connection with BOB, and by an agreement of 5 December 1938 the 'B' shares which they and the Prudential held were transferred, with their controlling interest, to two trustees (who were to hold them on behalf of the 'A' shareholders). In order to avoid Bank of England charges of avoiding their moral responsibility for BOB, Williams Deacon's and Union Bank of Scotland secretly agreed with the Bank of England to make deferred deposits (of #750,000 and #250,000 respectively) to BOB to improve its liquidity, to which the Bank of England added #1M.

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By December 1938 increasingly difficult trading conditions meant that assets would be difficult to realise immediately. A C D Gairdner resigned in January 1939, and was succeeded by J A Drexel, who authorised cuts in staff (from 175 in early January to 99 by the middle of April) and halved the working expenses of BOB over the same period. An internal memorandum to the chairman of the Bank of England in May 1939 noted that 'Eastern Europe has proved a very difficult part of the world for the foreigner', and in September 1939 the BOB board decided that the bank 'should cease to do an active business during the continuance of hostilities and should reduce its activities and staff to the minimum extent consistent with the completion of current business and the administration of ... frozen assets'. Significant reductions had been made in BOB liabilities during 1939, particularly in current and deposit accounts and acceptances, and the deferred deposits combined with realisations of frozen assets meant that BOB would be able to meet all of its liabilities with money to spare. However, the war dashed BOB's hopes of realising further frozen assets and repaying the deferred deposits immediately. The minimum number of directors was reduced from 7 to 3 at the end of 1939, and by the end of 1940 the total staff had been reduced to 32.

By an agreement dated 12 December 1940 BOB took over the management of Anglo-International Bank Ltd on 1 January 1941, itself in the process of being run down. The fee received for managing Anglo-International together with income from the Huth produce businesses largely covered BOB's day to day expenses from 1941 onwards. The first instalments in repayment of the deferred deposits were made in May 1941, and by the end of August 1941 the total outstanding deferred deposits had been reduced to #1M. Steady, but slow, progress was made in the reduction of liabilities, and in June 1944 the produce businesses (Huth Produce Sales Ltd and Huth Coffee Sales Ltd) were sold to Matheson & Co. The banking business of BOB was sold to Glyn, Mills & Co for #7,000, effective from the close of business on 30 June 1944, in order 'to avoid the trading loss which the directors otherwise foresee' (Financial Times, 26.6.1944). The remainder of BOB's assets (all frozen), concentrated in Hungary, Germany, Latvia and Poland, were placed under the management of Continental Assets Realisation Trust Ltd (CART), from 15 September 1944. CART were to receive a fee of #1,100 - #2,200 per annum and a 5% commission on assets realisations (almost all of CART's shares were held by the Bank of England and Glyn, Mills & Co). The value of BOB shares plummeted in reaction to these changes, to a quarter of their former value within one day. The special depositors agreed to write off #300,000 of the deferred deposits in exchange for retaining some control over BOB management and the safeguarding of the BOB name.

In 1952 the 'B' shares and unissued 'A' shares were cancelled, leaving BOB with a capital of #1M in 200,000 fully paid shares. CART's realisation activities bore fruit, and cash distribution payments were made to 'A' shareholders in August 1952 and June 1953. In February 1954, with remaining assets of #481,000, it was decided to use the assets easily obtainable to make a final payment to shareholders. The residual assets of BOB were taken over by CART against CART shares, and a resolution to wind up the company was passed at a general meeting on 8 June 1954. The liquidation of BOB was a lengthy process, largely as a result of BOB's Baltic states interests, and the final general meeting of the bank was not held until 7 November 1962. A new company, British Overseas Bank Ltd, was incorporated on 15 March 1963 solely in order to safeguard the name.

Source: Bank of England archives.

Secondary sources:

S:22 Notes relating to Bank of England sources, and histories of related banks.