As the First World War dragged on, the government found it needed a constant cash flow arising from continuous borrowing, in addition to the sudden spikes that war loans yielded. Treasury bills aimed at banks were provided with a minimum denomination of £1,000. The government needed also to draw money from the general public, and developed new investment opportunities designed to appeal to them.

War Savings Certificates

War savings certificates were introduced in June 1916. They were designed to be simple, down-to-earth and affordable for ordinary people. A £1 certificate cost 15s 6d to buy and could be redeemed, free of income tax, five years later. They were only available to individual buyers or, with special permission, charities and provident societies, and ownership was limited to a maximum of £500. They could be bought from the newly-established local war savings associations, the post office or banks.

For small investors, the guaranteed £1 for every 15s 6d spent represented a very attractive return of 29% in five years. Lending to the government was the most secure type of investment – assuming Britain won the war – and it also had the appeal of being a contribution to the patriotic cause.

For the government, war savings certificates were a way to attract war finance from a previously unreached section of the population. Unlike war loans, they also had the benefit of bringing money into government coffers in a constant stream, rather than in sudden peaks.

Under normal circumstances, banks would have seen savings certificates as a competitor, since at least some of the money used to buy them would otherwise have been in bank deposit accounts. Nevertheless, they put significant staff time and expense into handling certificate sales, in recompense for which they received commission of 2s 6d per £100 sold, or 0.125%.

Despite their support, in 1918 the Scottish banks became annoyed by a series of war savings advertisements that pitched war investments as a better alternative to leaving money 'idle in the bank'. They pointed out in a letter to the official in charge of the national savings movement, pointing out that they had worked tirelessly to sell war bonds, loans and savings certificates, and had themselves invested heavily. Even their much-diminished cash reserves were at the day-to-day disposal of the government. In other words, there was no money sitting 'idle'; whether in a bank, a bond, a certificate or loan stock, it was all being fed into the war effort.

The banks remained committed to selling war savings certificates. Several introduced schemes to help their own staff participate, buying certificates and allowing staff to pay for them in instalments afterwards. London County & Westminster Bank's scheme attracted more than two thirds of the entire staff and raised over £42,000.

By the end of the war, £207m war savings certificates had been sold. After the war they continued to be sold, but were renamed national savings certificates, and were used to fund house building and other reconstruction and development projects. National savings products have remained on the market ever since, and are still used today as a way of funding public borrowing requirements.

National War Bonds

Building upon the relatively modest War Savings Certificate scheme, in October 1917 the government introduced a much larger-scale, mass-market continuous borrowing vehicle: national war bonds.

Like exchequer bonds, war bonds were interest-bearing, but they were also repayable at a premium. This meant that a customer who bought £100 of 5-year bonds in 1917 would receive 5% interest each year, and then in 1922 would be repaid the original investment, plus an extra 2%. 7-year and 10-year bonds were also available, and would receive larger premiums at repayment. They were available to any person, company or organisation with at least £5 to invest.

Bonds could be used at face value to buy into war loans and other government stock, so customers were not locking themselves into one scheme at the expense of more attractive opportunities that might come along later. Bonds could also be used to pay death duties and excess profits duty. The latter was very valuable for companies, because negotiations over the duties payable were often protracted, and they had to keep cash at the ready until a sum was finally agreed. By using that money to buy war bonds, they could earn a healthy rate of interest while they waited.

Bonds could be bought at post offices for amounts over £5, or at banks for amounts over £50. A small commission was paid on the sale of bonds, in return for which the government expected banks to work tirelessly to sell them. The banks agreed not to offer any investments offering more than 3% interest so that there would be no competition for the bonds. They sent letters and circulars to any customers who might conceivably be able to buy bonds.

The banks put enormous effort into advertising, promoting and selling war bonds. They also bought them in large quantities.

The government became increasingly desperate to sell more bonds, and put corresponding pressure on the banks. In May 1918 it came up with a proposal to encourage sales by splitting the 0.125% commission payable between the bank and the clerk who made the sale. The English banks agreed, although some were unhappy about setting a precedent that seemed to turn bank clerks into salesmen. The Scottish banks, appalled by what they called ‘a childish idea’, refused to participate. Nevertheless, all banks maintained their efforts to sell the bonds, which became a mainstay of national finance for the remainder of the war.

Tank Banks

Special events and campaigns were introduced to promote the sale of war savings certificates and war bonds. Perhaps the most famous of these were the Tank Banks.

Although tanks had made their debut on the Somme in 1916, it was their role at Cambrai in November 1917 that really brought them to the British public’s attention. Here at last was something that looked like it could break the war’s terrible stalemate. Capitalising on the excitement, half a dozen battle-scarred tanks were brought home to Britain, to be used in a national tour of fundraising events.

A visit from a Tank Bank was a major event. For days beforehand, local newspapers were full of anticipation. The Tank – each one had a name, and near-celebrity status – arrived accompanied by soldiers. After a demonstration of its capabilities, breaking through barbed wire and clambering over specially-made soil mounds, the Tank Bank was officially opened.

The Tank Banks were staffed by clerks from the Bank of England, who sold war bonds, and the Post Office, who sold war savings certificates. Such was their popularity that there were often long queues, and clerks from local banks were sometimes drafted in to help.

Arrangements for the tour were made hastily, and the logistics were patchily communicated. When Scotland was expecting the arrival of *Julian*, for example, the Royal Bank of Scotland's cashier knew that he was the most likely of the Scottish bankers to be asked to help, because the Royal Bank was the Bank of England's representative in Scotland. Try as he might, however, he could not get information from the organisers about what might be required. In the end, he wrote to banks in Cardiff and Sheffield, which had already been visited, to ask how it had worked there.

In the event, Royal Bank clerks were needed; in Edinburgh, as many as six at a time, loaned from branches around the city. In addition, Tank Bank officials used Royal Bank branch premises after hours to count the takings, arrange remittances to London and process paperwork.

As well as helping with the logistics, banks were expected to contribute financially. They were already heavily invested in war bonds and other government securities, and were not particularly inspired by novelty fundraising events. Nevertheless, an Edinburgh bank could not fail to contribute to Edinburgh's Tank Week. The Royal Bank of Scotland bought £200,000 of bonds. The other Edinburgh banks invested similarly, and in all, Edinburgh Tank Week raised £4.8m, the third-largest total raised by any British city.

The following week, *Julian* moved to Glasgow. Naturally, Glasgow wanted to raise more than Edinburgh, and now the Royal Bank of Scotland had a problem. It, more than any other Edinburgh bank, enjoyed a strong bond with Glasgow and the west of Scotland. Seeing itself as part of Glasgow, it felt obliged to contribute to Glasgow's effort. Although unenthusiastic about owning yet more war bonds, it bought another £100,000. Glasgow Tank Week went on to raise a mammoth £14.5m, dwarfing not only Edinburgh's total, but those of all other cities.

The birth of the National Savings Movement

The government's efforts to attract small investors eventually gave rise to the birth of a movement which would continue to affect how ordinary people managed their money, long after the end of the First World War. It started with a government committee, appointed to consider war finance in relation to small investors. The committee reported in January 1916, and its recommendations included the formation of a network of local war savings associations.

In April 1916 war savings committees were set up for England and Wales, Scotland and Ireland. They promoted the formation of local associations, which took responsibility for encouraging savings activities in their community. Within a year, thousands were in operation. The movement struck a particular chord in Scotland, with over 800 associations being set up in Lanarkshire alone.

The pressing focus was on raising money for the war, but there was also a longer-term ambition. Many of the movement's supporters wanted to encourage saving among sections of the population who, thanks to rising wages, had a disposable income for the first time in their lives. It was widely believed that many of these workers were wasting their money on frivolous spending, and would be much better off in the long run if they learnt to save instead. Thus the savings movement had a moral motive as well as a patriotic one, and was destined to retain its importance long after the end of the war.

Savings associations often looked to the local bank manager to provide financial expertise. With encouragement from head office, many managers lent their support to establishing and promoting associations, and aided the preparation of the necessary audited accounts.

At the highest level too, the savings movement depended on bankers. Alexander Kemp Wright, cashier of the Royal Bank of Scotland, joined the Scottish committee at its inception in 1916. He remained a leading member after the war, when its focus shifted to the personal advantages of saving. He was a frequent speaker at savings conferences and events, and in the 1920s sat on two Treasury select committees as a savings expert. By his death in 1933 he was the only remaining founder-member of the Scottish Savings Committee.

The associations worked continuously to sell war savings certificates, war loan stock and war bonds, but found that the best results were achieved by one-off campaigns targeted, such as the famous Tank Bank tours. Another campaign that depended heavily on bank support was 'Business Men's Week' in March 1918. Despite the name, this campaign was aimed at business owners, both male and female, and was two weeks long. As part of the campaign, bank managers wrote to their business customers, urging them to take part. They also published daily progress reports on the campaign's results.

After 1918 the war savings movement, renamed the national savings movement, continued to promote investment in government borrowing by ordinary citizens, but the money raised was directed towards house building, reconstruction and other development projects. The banks, meanwhile, learnt valuable lessons from the movement's aims and methods, and began to work much harder to attract small savers, providing products such as 'home safe' accounts, which made savings accounts available to people who could only afford to save a little at a time.