LOAN SOCIETIES:

THEIR

Uses and Abuses Considered,

AND A PLAN SUGGESTED

For ensuring a better medium between

BORROWER AND LENDER,

BY

EDWARD WHITE,

Promoter & Manager of the

TRADESMAN'S AND MECHANIC'S LOAN SOCIETY.

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ENT. AT STA. HALL.

13

ADDRESS.

In introducing the following brief observations to my readers, I wish it to be clearly understood that I lay no claim to literary acquirement. If, therefore, my remarks do not run so trippingly on as they might have done in the hands of a more skilful artist in letters, still I trust they are sufficiently explicit to be understood by all my readers, for whose benefit they have been written.

I could have wished that some one better qualified than myself to handle both the subject and the pen had taken it up, but since none has done so, I have thought it of sufficient importance even for my weak pen to take up, and if any one of my readers who has been a "Borrower" shall benefit by its perusal my object will have been attained.

EDWARD WHITE.

February, 1858.

LOAN SOCIETIES,

THEIR USES AND ABUSES.

ONE of the most important subjects, both to the Tradesman and to the Mechanic—and which, perhaps, is the most neglected—is the easiest and cheapest mode of obtaining monetary accommodation.

Important because almost every tradesman and mechanic has had, or probably may have, at some period of his life, either to apply to a Loan Society or to a friend for a Loan, although many (and very probably they outnumber the borrowers) have shrunk from the bare idea of borrowing from the latter, because it renders it absolutely necessary as it were to let him into the secret of their position. On the other hand, if they go to a professed Loan Society for the accommodation, they have a system of extortion put into full working force upon them even worse than the original fares the traveller by a hackney coach was subjected to. Thus by reason of the high and exorbitant rate of interest they have to pay, would-be borrowers find themselves in an awkward dilemma.

And neglected by reason of perpetuating a system which has existed so long and worked so profitably to the *few*, whilst it has been so prejudicial to the interests of the many —the Borrowers. Indeed so very prevalent is this system of fraud and extortion, that scarcely a week passes by without the newspapers relating one or more instances. This fact itself ought to have sufficient weight to induce those whose position and means compel them to borrow, to seek out some plan by which the abominable and ruinous system now carried on could be put down, and some new one established, so as to enable the needy to obtain Loans at a reasonable rate of interest, and with some degree of certainty of obtaining one when applied for.

Probably few of the readers of this pamphlet have been fortunate enough to do without the accommodation of a Loan Office, and it will not therefore be relating matters to them of which they are entirely ignorant when I say some of them may still retain in their recollection the fact of having had to pay from 20 to 30 per cent. for a Loan.

Those who have not had the misfortune to have been compelled to apply to a Loan Office, may indeed congratulate themselves upon the fact, and to them it may appear strange how from 20 to 30 per cent. could possibly be charged upon any Loan. I will, therefore, endeavour to enlighten them upon this curious enigma. For an example I will take a £5 Loan, obtained from an ordinary Loan Office.

In the first place there is a charge of 2d. for a Form. This Form has then to be filled up according to the instructions therein given, one of which is two *respectable* householders are required to become securities. After the Form is filled up, it has to be returned to the office together with an Enquiry Fee, in most cases, of 2s. 6d., and 6d. extra for every mile beyond a certain distance from the office, and, in some instances, you are politely requested (!) to leave a Bill Stamp, which, in the event of the Loan not being granted will be returned!!! possibly because it might amount to a criminal offence to obtain it.

After paying the Enquiry Fee, the next thing to be done in the ordinary nature of things to an ordinary person would be, to receive the Loan. To do some of the Loan Offices justice, this may be so once in nineteen times, and, to use a vulgar phrase, "lucky" is he indeed who happens to be that favoured one; for it must be recollected that al Loan Offices have to submit to the pressure and events of the times notwithstanding their boast to accommodate themselves? I beg their pardon, I mean the borrower), and if Banks "run short" why should not a Loan Office? Do not believe them invulnerable, reader, at least as at present costituted; so in order to prevent such a detrimental fact becoming known, and the Application Papers being lodged at the Office, something must be done if they cannot grant the Loans at least to enable them to gain time, which may assist them.

This may appear rather strange, indeed it may appear extraordinary to the uninitiated, but I canassure them that nothing is more easy to be got over, and at the same time to save the reputation (!) of the office and increase their already limited funds; therefore, when the borrower calls at the offic e, fully expecting an appointment to attend with his sureties and receive the Loan he is told that one of his sureties is objected to for reasons they cannot divulge (which is in due unison with what is printed on the Application Form), and so the Society is compelled reluctantly to decline one surety at least; the other surety, as they politely inform you, being one that *may do*, providing that nothing detrimental to *his* character should "turn up" in the mean time: and, therefore, the Directors of the Society or Office (possibly in some instances consisting of as many as three persons), in consideration of the fee already paid, will grant the Loan, provided another surety be found and accepted (!) by them, and only another (!) shilling will be charged, adding mentally the hope that they may have the money to advance! The poor applicant goes away nearly distracted; he has known the two persons he has put himself under the obligation of asking to become sureties for him nearly all his life time, and possibly may not know another householder to whom he could, if he would, apply to become surety for him. Where such is the fact, it is almost needless to inform my readers that the unfortunate applicant's case at least is hopeless, and he has lost 3s. 8d. without receiving the least benefit, and, to sum up the disaster to its fullest degree, he has probably wasted—which to a mechanic is money—his TIME.

Some of my readers may smile at—to them—so paltry a loss, but let them stand in the position of some needy mechanic, who has some little contract to complete, and who has parted with his last available shilling in order to obtain the Loan to complete it, and it will be no laughing matter to them. But to continue. Let us take the case of the more fortunate borrower, who has another friend to come to his aid and stand as the third surety (for such it is), and, bearing in mind he has laid himself under another obligation, that the extra shilling is paid, and he is accepted by the Society, which, however, unfortunately, has not had sufficient time to increase its capital to the extent required, and the borrower is consequently informed, although the third surety is everything that is required, unluckily, upon making more minute inquiries into the affairs, &c., of the first surety, they (the Society) are compelled, though reluctantly (of course), to put the borrower to the trouble and annoyance of seeking another surety, but in consideration of the money paid, and as a kind of sweetner to the harassed borrower, no further fee will be charged, provided the fourth surety does not reside farther than next door but one, but certainly not by any means further than over the way; and so the borrower departs with his own opinion of the statement made by a money-lender in a Bankruptcy Court to the effect that they are the benefactors of mankind. This system has been, and is now, carried on to a fearful extent.

The Act of Parliament passed in the year 1840, and known as the Loan Act, by section 20, permits the Society to retain the enquiry fee whether the Loan be granted or not; and by the insertion of some words on the Form of Application by the Society, they further excuse themselves from giving their reasons for declining to grant the Loan, on the ground of the communications made to them being made in confidence and therefore privileged. That this is a reasonable, and in some instances a very proper, provision it is not for me to deny, for undoubtedly individual matters are gone into in many Loan transactions which might ruin both the character and the position of persons in society (were such matters to be made known) who really had no personal interest whatever in the Loan applied for, and for which they were offering themselves as sureties. But it will be seen that this provision (intended undoubtedly in the first instance for a good purpose) has been most artfully made a focus for putting into practice some of the greatest swindling transactions that could possibly take place in Loan matters; thus it is that too often a bountiful harvest is made of the needy and unwary by a set of money-mongers and swindlers, and, as a consequence, that Loan Societies have fallen so much into disrepute.

But if the Legislature, instead of doing things by halves (a system which is so proverbial with them), had inserted in the Act of 1840 a clause that all Loan Societies should (through their Secretary) give sufficient proof to the Registrar of Loan Societies, before enrolling them, that they are to be conducted strictly as such, it is just possible that much of the fraud and robbery that have so commonly offended the public ear would never have been perpetrated. But the fact is, we want—what we never get in this country—a *perfect* Act, not one that consists of mere shreds and patches; we want an Act through which there would be no loop-hole for rascality to escape. If, as I have just said, the Legislature had empowered the Registrar to enforce a guarantee, and if he had had the power of prosecution put into his hands for the recovery of penalties for any omissions or evasions of the Act, and for any overcharges made, there can be no doubt to a reasonable or thoughtful mind, that the dens of extortion and robbery now in existence, and miscalled Loan Offices, would never have had existence, and many a tradesman and mechanic would have been many pounds richer, and under fewer obligations to their friends than they now are (which obligations they are at least morally if not legally bound to repay).

But I trust my readers will excuse this digression and, to resume, I will take it that the unfortunate borrower (for such he is) has been enabled to procure the fourth surety (living either opposite or next door to the office, and thus avoiding the extra expense) required by the Directors of the Loan Society, that, provided they have not absconded, this fourth surety is actually accepted, and that they have even got the funds (!) and disposition (!), a rare occurrence, to comply with the application. Accordingly, they make an appointment with the harassed and desponding borrower to attend at the Office with his sureties, withnut which, by-the-bye, the borrower—unless indeed he have convertible property, equal to four times the amount applied for, to deposit—might as reasonbly endeavour to place the Globe—even the one in Leicester Square—on his back, as to obtain the money—which appointment we will presume the borrower does not omit to keep. The note having been signed and all preliminaries being settled, the borrower then imagines, poor soul! that he has the £5 *minus* the interest within his grasp ; but it is not to be so. The Directors have the borrower's welfare too much at (he) art for that ; the borrower having so much money thrust into his hands at one time might possibly become delirious after such repeated disappointments (at least so the feeling Directors think), and he might even squander it away all at once (!), then how could he possibly repay it by instalments ? and what is still more to those feeling Directors, how is it possible they could advance the £5 to him, and another £5 to the next applicant, when they have no more than £9 to do it with ?—could you do it ,reader ?—a trick, by-the-bye, that would do credit to such men as Professor Anderson, Robert Houdin, Frikell, and others, and yet what is so difficult to you and them is as easy as A B C to a Loan Office ! But to convince you how careful the Directors are that you should not get into difficulties, they deduct at once, with a peculiar twist of condescension, four weeks' instalments, and inform you that they do not charge the 2d. per week office fees on the money so feelingly deducted, in order to give you time to "turn round ;" during which conversation the money is displayed so as to work upon the feelings of the almost desperate borrower, and he is ultimately persuaded to accept about £3 15s. for the £5 he applied for, and fully expected to obtain ! In addition to this, some offices charge a fee of 2s. 6d. for registering the note, and for what earthly reason, beyond the purpose of obtaining the money, it is impossible to account. Reckoning, therefore, the 2d. per week which is charged as office fees (*minus* upon the four weeks deducted), and 1s. for receipt-book, and that the Loan is repaid at 2s. 6d. per week (without omission), the whole amount paid for the same will be as follows :

		s.	d.
Form		0	2
1st Enquiry fee		2	6
2nd ditto		1	0
A Penny (!) Bill Stamp		0	2
Office fees at 2d. per week—36 weeks . . .		6	0
Book for Receipts		1	0
Interest at 10 per cent.		10	0
	£1	0	10

At one glance, therefore, the interest paid in one shape and another is above 20 per cent., and if any fines become payable, the interest is soon raised to above 30 per cent. !!

Some of my readers who have never had the misfortune to apply to a Loan Office, may have some doubts as to the truth of the statements I have here made, and to them I would urge, "go and judge for yourselves," and they will in all probability find that I have rather underrated than over-rated the usual charges—to their cost.

Having, as I think, pretty clearly shown what some of the abuses of Loan Offices are, I will now state a few facts relative to their proper uses and their benefits to society generally.

In the year 1835 they first attracted the attention of the Legislature, and an Act was passed "for the Establishment of Loan Societies in England and Wales," but was repealed by the Act of the 3rd and 4th Vict., cap. 110. These Acts were framed for the purpose of enabling the mechanic to obtain small Loans at a reasonable rate of interest—with what result I have already endeavoured to show.

Objections are made by persons to Loan Societies altogether, upon the ground that they involve the borrower in debt; in some instances this may be true, but they are happily very few, and it can hardly be urged that because a few thoughtless, brainless, and unprincipled persons are never out of debt—for want of principle, energy, and industry—that other sober and industrious persons should not have the means afforded them of making a profit of that industry, by obtaining a small capital at a reasonable rate of interest!

Some people even go so far as to urge that to the person who requires temporary assistance, the pawnbroker is a much better and far speedier mode of obtaining it; but if they will draw a comparison between the rates charged by a pawnbroker and even the present vile system of granting loans, they will soon become convinced of the fallacy of their assertion. A very little calculation will show that in many instances a charge of from 60 to 100 per cent. is made by the pawnbroker (though perfectly legal), while the Loan Societies, even under their present abominable system, scarcely ever exceed 40 per cent.; in addition it should also be borne in mind, that the pawnbroker requires the deposit of articles of at least thrice the value of the sum advanced; and as those articles are mostly comprised of the implements of trade, wearing apparel, and articles of domestic use, the comforts of the borrower and his family, and even their means of subsistence become considerably diminished; consequently, in some cases, reducing the family to a state of wretchedness and misery. To those who have nothing to deposit—however good their principle may be—the pawnbroker offers not the slightest assistance, while, on the other hand, to a man of good principle and industrious habits, Loan Societies, if they were formed upon a sound basis, would prove one of the greatest benefits ever conferred upon the tradesman and the mechanic. Therefore, as a mere substitute of the pawn-shop, *bonâ-fide* Loan Societies would be of incalculable benefit to small tradesmen and the working classes. How often does it occur that a small tradesman (however good his position and principle may be) is unable to meet his liabilities from inability to get in his bills, and is consequently in requirement of temporary accommodation? Not desiring to lay himself under an obligation to his friends personally, or to his uncle (*i. e.* pawnbroker), he applies to a Loan Society in preference. Consequently, to the small tradesman in this position Loan Societies are of some little use; but they would be infinitely more so if they dealt fairly with him.

We may imagine a mechanic, too, who has some contract to complete, and who has not the means of so doing, alike disinclined to deposit anything with his redoubtable relation. In this position he must apply to a Loan Office or a friend, and in all probability he will give preference to the former. Therefore, to classes of this stamp Loan Societies are almost actual necessities; for it must not be imagined by my readers that I have penned these pages solely for the purpose of "writing down" Loan Societies in general. Oh, no! it is the vicious principle only upon which they are conducted that I raise a crusade against, and with a view, at least to amend, if not entirely to eradicate it. A little reflection will convince sober-minded and unprejudiced persons that Loan Societies, if conducted upon liberal and sound principles, must promote the welfare of both the lender and the borrower, because there are persons whose very existence depends upon the interest they obtain upon their money, and as the public funds do not guarantee more than three or three-and-a-half per cent., it is evident that by investing their money in Loan Societies—properly formed—from seven to ten per cent. could be obtained, thereby doubling their former means of subsistence, whilst they render most beneficial assistance to the small tradesman and the working man.

Having, therefore, endeavoured to place the most crying abuses of the present system of carrying on business by Loan Societies before my readers, as well as to show the uses to which they could, if properly formed, be applied; and having, as I consider, clearly shown that they are, to a certain extent, indispensable to society, the question then presents itself of—How is the system to be altered or amended?

It was to elucidate this question, and at the same time to point out the means by which, in my humble opinion, such a gratifying end can be attained, that I commenced writing this pamphlet.

In the first place I must impress upon my readers that, before any alteration can be effected, or even expected, the small tradesman and the mechanic—the class of persons who (excepting the lenders) derive the greatest amount of benefit from Loan Societies—must erase from their minds the deep-rooted fallacy that they are dependent upon, or that there is more honour and principle in the large capitalist than there is in the man of slender means; and, in addition to this, it must be borne in mind, that *unity of purpose* among them is the principal *status* required, for it is by unity and perseverance only that great measures are carried and insurmountable difficulties (at first sight) are overcome.

It rarely ever enters the head of the mechanic or small tradesman as to how he could obtain money if he wanted it (!) until he actually feels the necessity that he must obtain it somewhere or somehow; he then flies to his friends, who perhaps either cannot or will not accomodate him; it is then that, as a last resource, he applies to a Loan Office, and this is in a great measure the reason why the present system of Loaning has gained such root in society as it has—whereas had the system which I am about to lay before my readers been proposed and carried out earlier, there is no doubt that both lender and borrower, as well as society generally, would have been greatly benefited by the change.

For instance, supposing 100 tradesmen and mechanics were to form themselves into a Society, and to invest say a sum of One Shilling each per week so long as they remain Members, and pay an entrance fee upon each share of One Shilling and Sixpence, the Fund produced at the end of the first week would be £12 10s., and the receipts afterwards being £5 per week would shew at the end of the year a total of £267; and, a person having been a Member a certain number of weeks, allow him to apply for, and receive, a Loan of £2, £3, £5 or upwards, according to the Rules, at 5 or 7½ per cent., the borrower giving a Promissory Note to repay it either to the Treasurer or the Secretary. This system would insure a large interest to the Members who invested their money only, and a speedy and easy means to the borrower of obtaining money when he requires it,—and, as he would be entitled to receive interest upon his own money in the Society, he would in reality obtain his Loan at less than 5 per cent., besides having a little money profitably invested, and which he could obtain by giving notice to the Society to that effect. To Non-members of the Society the money could be advanced at an increased per centage, when not required by the Members. This system is now carried on (as compared with the old one) to a slight extent. Societies among the working classes of between 2,000 and 3,000 persons being already formed are found to work most beneficially to the mechanic, some of them paying from 12 to 15 per cent. to the Members on the money invested.

A Society is now in course of formation under the name of the "Tradesman's and Mechanic's Loan Society," of which I have the honour and pleasure of being both the Promoter and Manager, which is to be carried on upon the principle and system above set forth.

The persons whose names are on the Prospectus, as will be readily seen, are not men of note, the only misfortune being that not one of them has ever been a Director of the British Bank, Eastern Banking Association, or of the Surrey Gardens Company; but men who are desirous to assist in benefiting their fellow men (if possible), and hence the reason of their being Members of the Committee.

Before concluding this pamphlet I wish to impress upon the minds of my readers that it has not been penned for the exclusive purpose of "writing up" this last-mentioned Society, nor "writing down" the stereotyped Loan Societies of this working-day Metropolis, the purgatories which one half of it suffers from ("pecuniary embarrassment") the other half knows nothing of. Usury is, and always has been, bad; but a convenient means of obtaining money accommodation at a moderate rate of interest must, I am sure, be a boon most heartily wished for, and indeed will be, I trust, as soon as my views become sufficiently known.

I have here alluded to the "Tradesman's and Mechanic's Loan Society," merely to show that a step has been taken, however trivial and futile it may prove to be, to alter the present system of money-lending—a system which, in every respect, will be to the advantage of the working-man.

I would further beg to say, that I shall be most willing to assist or give any information in my power to persons really seeking it, as to the working of the system or formation of new Societies, having had some little experience in the working of them.

It is, perhaps, almost needless for me to add, that to the unprincipled and indolent the system proposed by me will be of no use whatever; but so long as the industrious, needy man is benefited by it, I am satisfied, and my object is attained.

THE TRADESMAN'S AND MECHANIC'S LOAN SOCIETY,

MORLAND'S HOTEL, DEAN-ST., OXFORD ST., (W.)

COMMITTEE.

Mr. J. R. Harnack, S.A.O.F. 1894, 13, Portland Street, St. James' (W.)
Mr. C. Cox, A.O.F. 2026—P.C.R., 17, Heddon Street, Regent Street (W.)
Mr. W. H. Hartland, Jun., I.O.F.M.U. 2887, P.G., 22, Marshall Street (W.)
Mr. H. W. Wright, 21, Centre of Oxford Market (W.)
Mr. H. Tucker, A.O.F 2566, 20, Poland Street, St. James' (W.)
Mr. J. Hill, A. O.F. 1894, 30, Carnaby Street, Golden Square (W.)

TREASURER.

Mr. Rowland Moule, A.O.F, 1693—A.O.S. 2466—O.F.MU. 3153—U.B.B.S.—P.F.B.S.—F.C.A., Morland's Hotel, Dean Street, Oxford Street (W)

SECRETARY AND MANAGER.

Mr. Edward White, P. and S. F.C.A., 70, Castle Street East, Oxford Street (W.)

This Society has been established for the purpose of enabling its Members to obtain Loans varying in amount from £1 to £10 and upwards, on their own personal security, if approved of, and thus obviating the necessity which has hitherto existed, of borrowers applying to their friends to become security for them.

The Funds of the Society will be raised by Shilling Subscriptions, to be paid by the Members weekly, which may be withdrawn upon giving Notice, subject to the Rules of the Society; and at the expiration of every 12 months of Membership, Debentures for £2 10s. each will be substituted for every £2 12s. paid in, and upon any such Debentures all Interest accrued due will be payable.

Borrowers will participate in the profits.

A Reserve Fund will be formed, in order to insure the Debentures being of the value represented.

The Committee anticipate that a Dividend of from 12 to 15 per cent. will be payable annually to all Members.

Persons desirous of becoming Members, must apply to the Treasurer for a Form for that purpose. Members will be entitled to borrow as follows:—

3 months . . .	£2	10	0	9 months . .	£7	10	0
6 „ . . .	5	0	0	12 „ . .	10	0	0

Loans will be granted from the 10th of February, 1858.

The interest charged will be 5 per cent.

Prospectuses and further particulars can be obtained on enquiry of any of the Committee, or of the Treasurer, as above.