

**Society of Archivists Scotland & Business Archives Council Scotland**  
**Financial Records Symposium**  
**Mon 24 Nov – Museum on the Mound, Edinburgh**

**25 minutes**

**'The certain statte of yowr book'<sup>1</sup> : Cataloguing the Early Accounting Records of Bank of Scotland, Reto Tschan, Senior Archivist, HBOS plc Group Archives**

**Introduction**

Good afternoon. I'm Reto Tschan and I am an archivist here at HBOS.

The starting premise for my talk this afternoon is that accounting records are often seen as both very complicated and extremely dull. This morning, Alan, David and Clare have explained away a lot of the complexity surrounding accounting and other financial records. What I hope to do is convince you that these records are in no way dull, but are in fact really exciting. Given that you have all chosen to attend a symposium on financial records, I am hoping that this will not be too hard a sell.

In my defence of accounting records, you may sense some of the zeal possessed only of the recently converted. Personally, I will admit that when I was hired, I worried that the records of a bank could, by definition, not be that interesting. And I would also admit to being bewildered by the number, purpose and interrelatedness of the Bank's accounting records. Just my luck then that about 10 months ago, I was given the task of cataloguing the Bank's accounting records...

My talk today is about some of my experiences in undertaking this work. Specifically, I want to look at the very earliest accounting records created by the Bank. They are, of course, full of valuable historical information. But I don't want to focus too much on the information they contain. I want to step back and look at some of the other

things that make them interesting. First, the broad historical context of their creation; that is, why did the Bank chose to keep its records in the particular way that it did? Secondly, I want to look at the records themselves – how do they function? How do they interrelate? Finally, and in a sense throughout the whole talk, I want to bring in the people who created these records, and the occasional traces of their lives which remain in the records.

## **Interesting Bit #1: Putting the Bank's Records into Context**

### [Slide: Edinburgh in 1700](#)

The first thing that is interesting is the historical context in which these early records were created. When Bank of Scotland was founded in 1695 it was the first commercial bank in the UK. Banking on this scale had not been attempted before. And if there was little practical guidance on how to actually bank, there was even less information on what sort of accounting records a bank should keep.<sup>2</sup> There was not a single teacher of bookkeeping in Edinburgh at the time.<sup>3</sup> Published works on bookkeeping had only limited information on accounting in a banking environment.<sup>4</sup>

When it came to deciding what sort of accounting system the Bank should have, there were, essentially two choices – which we should now be familiar with, so I'll just skip over quickly....

### [Slide: Single Entry Bookkeeping](#)

Practically speaking, most accounting in the UK was done using some form of single entry accounting. This is an example of charge and discharge – a fairly basic and easy to use system which was used by most households, estates, and local governments.

### [Slide: Double Entry Bookkeeping](#)

The second option was double-entry bookkeeping. Its main difference is that each transaction is recorded twice – as a credit to one account and as a debit to another account. The advantage of creating two equal and opposite entries, is that the accounts always balance. If they do not, there must be some mistake. Single entry

systems do not have this built-in checking mechanism, and it is what first made double entry popular.

And while double-entry became the standard form of accounting, and the one that we primarily use today, this was not obvious to the Bank at the time. Many successful firms, merchants and private bankers prospered without using double-entry. So how did the Bank decide which system to use?

To understand the choice, we need to look at why the Bank was established in the first place and who the people were behind it. But first, we also need to look at the Scottish economy in the 1690s.

[Slide: Map showing Scotland and the Netherlands in 1700](#)

Prior to the Act of Union, English ports were closed to Scottish merchants, so Scotland's key trading partner was the Netherlands. The Scottish economy was geared towards the export of raw materials and the import of manufactured goods. Imports from the Netherlands included linen, brassware, cooking pots, hats, furniture and clocks.

[Slide: Dutch Double-entry Bookkeeping](#)

But you could argue that the main Dutch export to Scotland was commerce itself. By the 17<sup>th</sup> century, the Dutch were the world leaders in finance and accounting. Scottish merchants who wanted to learn the latest accounting skills often worked as apprentices in the counting houses of Amsterdam and Rotterdam. For example, when

Glasgow merchant William Dunlop was studying in the Netherlands in 1681, there were five fellow Scots from Edinburgh in his class.<sup>5</sup>

But when these well-educated merchants returned to Scotland, they faced several problems. For starters, there was almost no money in Scotland. Scottish coins were scarce and in poor condition and merchants were desperate for some other way of paying for things. It was also very difficult to get long term credit – and this was essential if you were selling your goods a long way away and you might not get paid for many months. If you were lucky enough to find someone willing to finance your foreign trade, they probably did so by using bills of exchange. The problem, if you were Scottish, was that when you tried to settle this bill in London, you were considered a foreigner, and so you got less favourable rates than an English merchant would.

All of these problems had one solution: Scotland needed to have its own Bank that could grant credit, issue banknotes and settle bills of exchange. And so it is no surprise that when we look at the Bank's Foundation Committee, we find that of the 12 original members, 9 are merchants, and that of these, 4 had direct links to the Netherlands. When they started looking around for someone to set up their accounting system, it was natural that they looked for someone just like them.

[Slide: George Watson](#)

The person they chose was George Watson. Watson was born in Edinburgh in 1645 to a family with a long history as merchants. At the age of 24, Watson was

apprenticed to an Edinburgh merchant where he spent three years learning a wide range of bookkeeping techniques, including double entry. In 1672, he was sent to the Netherlands to complete his education. There he studied mathematics and accounting, as well as a range of practical commercial subjects.

When he returned to Edinburgh, three years later, he was hired by Sir James Dick of Prestonfield, a prominent merchant, as his accountant and cashier. Watson spent the next twenty years there and during that time he built up such a reputation that he was asked by a number of other businesses and public societies to keep their accounts as well. Today, Watson is recognised as "Scotland's first professional accountant".<sup>6</sup> But even during his lifetime, his special talents were recognised. If it was possible to be a celebrity accountant, George Watson was one. For the Bank, he was the obvious choice.

[Slide: Bank of Scotland coat of arms – detail Justice and Plenty](#)

He was appointed "accountant and bookkeeper to the Company" on 24 March 1696. Watson brought to the job not only his many years of experience and his Dutch training, but also a certain moral philosophy. Authors of accounting texts of the period stressed that accountancy was not just a set of practical skills, it also had moral objectives. That is, accurate bookkeeping was a way of ensuring justice in commerce. Watson's influence can be seen on the Bank's Coat of Arms, which includes the figure of Justice with her Scales.

## **Interesting Bit #2: Everything in its place**

So what was Watson's system? Did the Bank just use typical merchants' accounts?

Well, yes and no. And the process of discovering what records we have, reconstructing the interrelationships between them, and putting the records into their archival context, is the second thing that makes these records interesting – just in case you are keeping track.

[Slide: Colinson and typical merchant's accounts](#)

To get an idea of what would have been a typical double-entry bookkeeping system for the period, we can look at Robert Colinson's *The Perfect Accomptant*, the first book on accounting to be published in Scotland.<sup>7</sup> Colinson's system follows earlier Italian and Dutch textbooks, using the three traditional double entry books: that is, the Waste Book – the original record of all transactions, the Journal – a fair copy of the Waste Book, and finally the Ledger. He also includes a number of subsidiary books, including a Cash Book.<sup>8</sup> Approaching the early records of the Bank assuming that they are essentially late 17<sup>th</sup> century merchant's accounts, which is what I did, you would expect to find these key records. And indeed, to a certain extent, and after some digging, you do!

[Slide: Images of pages from 945](#)

These are some pages from the NRAS 945 survey of the Bank of Scotland collection, which refer to key series such as the General Journals and Ledgers. There are also Cash Books and Waste Books listed.

Frustratingly, it appeared from this list that the series of Waste Books – the books that should in theory record the Bank's initial transactions – do not begin until 1716.

However, because I was on the lookout for an earlier Waste Book, I was able to find it – hiding out in another part of the survey under the heading 'Discounts, Advances &c'.

So it was great to see that the core accounting records, as described by Colinson, and dating from the Bank's earliest days had all survived – or at least that is how it appeared.

As I began to look more closely at these records, the picture became more complicated. For starters, if we look at when these records were created, the earliest accounting record is actually the General Journal. Its first entry is dated 1 January 1696. This is also the date of the earliest entry in the General Ledger. And the records which should come first both come later. The Cash Book opens on 25 March, while the Waste Book only begins on 2 June – more than 2 months later.

So what is going on here?

The first thing we should do, is insert George Watson. This helps to clarify the picture to some extent. What we have is really a distinction between the recording of the financial transactions initially required to establish the Bank – that is, the stock issue and capital raising – and the everyday practical bookkeeping required once the Bank opened its doors for business on 27 March 1696.

Once George Watson was hired, he wastes no time in opening one of the key books – the Cash Book.

But what about the Waste Book? According to Colinson, this should come first. The answer is that the Waste Books work together with the series of Cash Books. But unlike Colinson's model, the Cash transactions do not appear in the Waste Book – they go directly from the Cash Book to the Journal. That is, the Waste Books do not record everything as it happened, but only a subset of transactions – mainly remittances and interest charges – hence the misleading title in the 945 survey. As the bulk of the early transactions involved cash, the Cash Book alone could record them.

The picture is further complicated by the appearance of a book called 'Archibald Hutchison's Cash Book' which begins on 27 July 1711. This time, however, the late start date is, unfortunately, the result of loss and destruction over the years. While trying to work out how the main series of Cash Books related to this book, and after more time than you think would be necessary, I noticed that Hutchison refers to this book as Book G – and the final entry notes that the continuation of his accounts could be found in Book 8. So Hutchison's book is only the earliest surviving example of a separate series of Cash Books which were kept by the Bank's Tellers since 1696.

So, a summary of the Bank's early records would look something like this:

[Slide: Relationship of Bank of Scotland's Accounting Records in Reality](#)

First, there are the shareholder's subscriptions to record. Then, the various cash transactions – taking place both at the Head Office in Edinburgh, but also at the 4 branches established in 1696. Presumably, the Teller's at these branches maintained their own Tellers' Cash Books – but none have survived. All of these transactions are then recorded in the Treasurer's Cash Book, which maintained overall control of the Bank's liquidity. Then there are a number of sundry transactions captured in the Waste Book. All of this information is then fed into the Journal. The Journal's main purpose was to be a neater copy of the earlier records to help transfer all of this information to the various accounts in the General Ledger.

Despite some differences, the early records of the Bank are recognisably merchant's accounts. They are obviously more complex than Colinson's theory suggests as they have to account for shareholders, multiple Tellers' Cash Books, and a series of branch transactions as well. In some respects, it is a refinement of Colinson's system – for example, it cuts out the unnecessary step of recording cash transactions in the Waste Book. It is also more meticulous than Colinson – transactions are generally copied out in full and are only rarely summarised. We can assume that these changes were the result of George Watson's influence.

### **Part Three: The Accounting System and the Bank's Staff**

This is a simplified picture – it does not include other records – Minutes, Correspondence, Bills of Exchange, Bonds, Legal Papers etc. – which interconnect with these core accounting records. But even just looking at this overview, the thing which impresses me is just how much work must have been involved.

[Slide: Teller's Cash Book – Treasurer's Cash Book – Journal – Ledger](#)

To give just one example of how the system functioned, we can look at a simple payment, which some of you will recognise from the practical session: William Hutton, and others, are going to pay 14s 2d interest on a loan, and at the same time, repay £100 of the principal of that loan. The first place this transaction is recorded is as a debit in John Drummond's Cash Book. This entry is then copied in full in the Treasurer's Cash Book. Here it is along with several other transactions for that day from other Teller's Cash Books. It has been added to another payment – you can just make out the total amount on the right of £248 9s 5d. From here, it is again copied over, in full, to the Journal. Next, the various accounts in the Ledger need to be adjusted. First, William Hutton's Account is credited £100 14s 2d. Next, the Treasurer's Cash Account is debited by the same – though the amount is now just the summarised total – a rare example of something being summarised!

The same transaction has been carefully transcribed through a series of books. In this example alone, three members of staff have used 4 different books to make 5 distinct entries related to this one fairly basic transaction.

Multiplied across the large numbers of transactions being carried out daily, the scale of the task becomes apparent. The tedium of having to repeatedly and carefully copy out by hand the same figures using quill and ink from one book to another can be imagined. But somebody had to do it. And the staff which did were just as much a part of the accounting system as the Journals and Ledgers. So who were they? And what was their working life like?

Amazingly, at any one time during this period, there were only about 8 members of permanent staff at the Bank's Head Office.

[Slide: Staff of the Bank in 1696 1700 and 1734](#)

They worked in three main areas in the Bank:

- Accountant's Office – responsible for bookkeeping and balancing the books, though in practice, get help from Tellers;
- Treasurer's Office – responsible for accepting and making payments, dealing with customers and controlling the cash
- Secretary's Office – responsible for the minutes, correspondence and legal affairs of the Bank.

Once the bookkeeping system had been put in place, staffing levels in the Accountant's office were cut. George Watson left after little over a year, although he remained on the Committee which annually audited the Bank's books.<sup>9</sup> Despite the

growing business and the introduction of new facilities – such as deposit and cash accounts – staff levels remained remarkably stable for the next thirty years.

Staff were no doubt overworked. The office was open every day of the week, except Saturday afternoon. The only holidays were fast days and the King's birthday – Christmas was not even a Bank holiday until 1732! There was no other annual leave, and staff had to petition the directors for a week or two off a year – generally on the grounds of ill health. Business hours were from 8 in the morning until noon, and again from 2 until 6. In 1749, the Bank's directors resolved that "for obviating the inconvenience to the Office and risque to the Tellers in paying and receiving Money with candle light that during the three months of winter the doors be shut at 4 o'clock in the afternoon."

The Tellers frequently appear in the Minutes petitioning for increases in pay on account of their "great troubles and pains". In one case the Tellers were so overstretched that all 3 made mistakes which ended up costing them £75 pounds in total. The Bank at least admitted it was partly to blame and paid back most of their losses.

The title of this talk, 'the certain state of your book' comes from notes made by George Watson when he was a student in Holland. He is commenting on the ability of the double-entry method of book keeping to ensure your accounts are 'certain' in the sense that they do not contain any errors. Watson would also have argued that because they were reliable, the records helped ensure that justice – between the Bank and its customers – was maintained. And though it was valued for this ability, double-entry

bookkeeping is really just another way of organising information. It could not do anything to ensure just behaviour.

I want to finish today by looking at the accounting records relating to one member of staff in particular, the Teller John Drummond, whose Cash Book we have been looking at.

In 1734, John Drummond had been a Teller with the Bank for 13 years. He was, moreover, the son of the Bank's Treasurer, David Drummond. For the first 11 years he worked alongside Archibald Hutchison and John Gordon, who had been Tellers with the Bank virtually from its inception. When John Gordon retired in March 1732, and Archibald Hutcheson died later the same year, the Bank lost 68 years worth of combined experience. It also left John Drummond as one of only two Tellers. The other Teller, James Spence, was the son of the Bank's infirm Secretary, and so spent most of his time assisting the Secretary in his duties. Drummond was no doubt overworked – in the past, three Tellers would have shared the work, and the volume of business being conducted by the Bank was ever increasing.

[Slide: John Drummond's Cash Book – image 1](#)

This is the same entry for 21 May 1734 from John Drummond's Cash Book which we've seen before. But the reason I've selected this particular entry is because, it is in fact the last entry that John Drummond made.

[Slide: John Drummond's Cash Book – image 2](#)

The same accounting record also records the following. On the previous day, an entry in John Drummond's Cash Book records that the Treasurer had given him £5,500 in banknotes and coin. In today's sums, just under half a million pounds.

The sum is staggering and the predicament in which John Drummond was placed is astonishing. On the one hand, the trust of his father, his loyalty to the bank, but a life of drudgery. On the other hand, greed, temptation, and criminality. But also almost limitless possibilities. John Drummond was in his late twenties – did he really want to spend the rest of his life hunched over his ledgers, endlessly copying figures and doing sums until he retired, like John Gordon, or like Archibald Hutcheson, would he give all his years to the Bank and die in harness?

A week after this entry was made, the Treasurer David Drummond, informed the Bank's Directors that his son "has absented and withdrawn from the Office". A Committee was raised and with the Treasurer as witness, an examination of John Drummond's Cash Book and Drawers was made. It found £3,281 8s and 7d was missing – the equivalent of more than £280,000 today.

Where John Drummond went and what became of him are unknown. The accounting records do not tell us of his personal circumstances – did he have gambling debts? Some other scandal? They do, however, tell us that he had been paid his £50 annual salary only two months before – salaries being paid once a year at the time. This was a good wage, more than twice the average.

I imagine that his father David Drummond, the Bank's Treasurer for more than 30 years, who had to witness it all, must have agonised for that week before reporting John's absence to the Board, unaware of where his son was, hoping that he would return. The Minutes are business-like and to the point. But the accounting records faithfully record, over several years, the careful repayment of the entire sum by John Drummond's father.

## Summary

[Slide: Title Slide](#)

The Bank's accounting records after 1734 become increasingly complex. But they remain rooted in the system as it was established by George Watson. And those records are the primary evidence for over 300 years of the Bank's history. Some of these records, like the first Ledger, are privileged with display in the Museum. But for me, the really exciting books are the early Cash Books and Waste Books – created right at the start of the Bank's business, as the first transactions were taking place. Was deception already running through John Drummond's mind as he recorded the deposit of £5,500 in a scraggly hand, I wonder? In comparison, the Journals and Ledgers, so orderly and neat, seem far removed from the act which necessitated the original creation of the record. But hopefully I've been able to demonstrate that all of these records are about more than just dull figures.

Thanks!

## Notes

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<sup>1</sup> R. Brown ed. "A History of Accounting and Accountants" (1905) cites George Watson's notes when a pupil in Holland and contains the line: "...the certain statte of yowr book." (157)

<sup>2</sup> Saville, 22-23. In terms of record keeping, the act of parliament founding the bank, requires only that a "Book or Register" of shareholders be continually maintained.

<sup>3</sup> The first to give tuition in bookkeeping in Edinburgh appear to have been John Dickson and George Heriot, around 1705-1706. Along with George Watson, there were the only three known professional accountants practicing in Edinburgh at the time (Mepham 37).

<sup>4</sup> Coutts, 84. The first Scottish book on accounting was published in 1683 by Colinson (Mepham, 1).

<sup>5</sup> T. M. Devine, "The Merchant Class of the Larger Scottish Towns in the Later Seventeenth and Early Eighteenth Centuries" from G. Gordon and B. Dicks (eds.) *Scottish Urban History* (1983).

<sup>6</sup> Mepham, 21.

<sup>7</sup> The full title is *Idea Rationaria, or The Perfect Accomptant*.

<sup>8</sup> Mepham, 102-104.

<sup>9</sup> Watson remained a member of the auditing committee which reported to the Adventurers each year (Saville, 81).