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THE WINDING UP OF THE AYR BANK,

1772-1816

Paul Kosmetatos

Darwin College and Centre for Financial History,

University of Cambridge
Abstract: The collapse of the experimental Ayr Bank was the central episode of the 1772-3 credit crisis, and is used as a prominent example in Adam Smith’s monetary analysis in the *Wealth of Nations*. Subsequent literature on the affair has been overly influenced by a small number of printed sources, and has propagated their biases. This article uses previously unpublished manuscript evidence to reconstruct and extend the existing narrative of this famous episode, and identifies the issuance of redeemable annuities in response to the bank’s stop of payments in June 1772 as the main cause for the size of its losses.
The Scottish dimension of the 1772-3 credit crisis has attracted most of the attention paid to this episode, mainly due to Adam Smith’s almost explicit references in Book II of the *Wealth of Nations*.\(^1\) The troubles of the ambitious and experimental Ayr Bank (Douglas, Heron & Co.) form the central events of a multifaceted financial crisis that included the stoppage of numerous bankers in London, Edinburgh, and Amsterdam,\(^2\) and was underlined by the on-going difficulties of the East India Company culminating in the Regulating Act of 1773.\(^3\) Other than the much discussed 1720 South Sea – Mississippi Company bubbles, individual eighteenth century financial crises have not attracted much detailed attention. Despite this, the 1772 episode has been identified as one of the first endogenous crises which arise from economic growth rather than war or government policy,\(^4\) and is notable for displaying an early instance of a lender of last resort in action.\(^5\)

\(^1\) Adam Smith, *An inquiry into the nature and causes of the wealth of nations* (Oxford, 1976) (hereafter: *WoN*), II.ii.73-7. Smith never names firms or individuals, not wishing perhaps to embarrass the Duke of Buccleuch with whom he was associated. The identification with the 1772 crisis has never been contested.


\(^5\) The 1763 Amsterdam crisis has a strong claim to being the first such crisis, although it may have been influenced by the conclusion of the Seven Years War. See Isabel Schnabel and Hyun Song Shin, “Liquidity and Contagion: The Crisis of 1763”, *Journal of the European Economic Association* 2, 6 (2004), 929-968, and Stephen Quinn and William Roberds, “Responding to a Shadow Banking Crisis: The Lessons of 1763”, *Federal Reserve Board of Atlanta Working Paper Series* 2012-8 (2012)
Beginning with Smith’s much quoted analysis of the perils of over-issuing a paper currency beyond what the natural trade of a country will allow, the Ayr Bank episode has been traditionally presented as a cautionary tale of managerial incompetence, overtrading, and monetary fallacy. This picture is reinforced by *The Precipitation and Fall of Messrs Douglas, Heron, and Company* (hereafter: *Precipitation*), the 1778 report by the Committee of Inquiry set up by the bank’s partners.\(^6\) Although this echoed several of Smith’s arguments, it focused mainly on what its authors perceived as the culpable mismanagement of the bank’s outgoing Directors. Later work has successfully presented the debacle in the context of Scotland’s expanding economy, and for being a significant early episode in the development of Scottish banking.\(^7\) The prominence of the above mentioned printed sources however, together with the memoirs of Sir William Forbes and the *Scots Magazine*, have tended to over-influence modern treatments of the affair, both by being used as sources of primary information, and by shading analysis of its causes and scope.\(^8\) There is a particular reliance on the *Precipitation*, a source which rather than being the definitive account as has been sometimes described,\(^9\) could be also approached as a piece of pamphlet literature representing the opinion of a part (and

\(^6\) Committee of Inquiry appointed by the Proprietors, *The precipitation and fall of Mess. Douglas, Heron, and Company, late bankers in Air with the causes of their distress and ruin, investigated and considered* (Edinburgh, 1778)


not necessarily the major part) of the bank’s partners. Apart from propagating any inherent biases, this has also limited modern literature to following primary sources only to 1778. As the bank never went bankrupt but paid all its creditors in full over several decades, the story of one of the first windings of a major financial institution has thus remained untold. Furthermore, there has been occasional confusion surrounding the events which led to the bank’s stop of payments in June 1772, as well as a propagation of second-hand and even apocryphal figures concerning the financial details.

This article will re-establish the narrative of this important affair based on contemporary manuscript evidence surviving in Scottish archives, and will extend it four decades beyond its traditional 1772-8 timeframe. It will argue that although the bank’s business model was flawed and its position in June 1772 precarious, its fate was sealed only after the ill-advised attempt to stay afloat by raising £450,000 in life annuities at an interest rate between 12 and 14 per cent. Although the bank’s books have not survived, it is possible to quantify this narrative through the financial records and voluminous correspondence of George Home of Branxton (1734-1820), the lawyer who served as factor and manager for the bank between 1773-93.

The article is structured as follows: Part I discusses the motivation and business model of the bank, and reviews the traditional account of its failings. Part II examines the ways in which the panic that broke out in London in June 1772 led to the bank’s stop of payments. Part III focuses on the pivotal decision to issue the annuities, and the series of reflexive actions the bank was forced into as a result.
Part IV describes the unwinding of the bank’s assets over the period 1774-1816. Part V concludes with the final loss figures from the venture, and puts them into context.

The co-partnership of Douglas, Heron, and Co., commonly known as the Ayr Bank, was established on 6 November 1769 for a nominal term of 21 years, with £96,000 of subscribed (but not paid-up) capital. Unlike the two Edinburgh public banks, the Ayr Bank was unincorporated, but was nonetheless a joint-stock company enjoying the advantages of share transferability and a separate legal personality from its 136 founding partners. The latter were an impressive selection of the contemporary Scottish elite, including the Duke of Queensberry and Dover, the young Duke of Buccleuch, only recently returned from his Grand Tour in the company of Adam Smith, the Earls of Dumfries and March & Ruglen, and Archibald Douglas of “Douglas Cause” fame. Apart from the landed interest which comprised about half the membership and capital of the firm, merchants, lawyers, and physicians were also well represented. By the time of the 1772 crisis, the partnership had grown to 237 individuals with a nominal capital of £163,000. Membership was very stable over this period, with only 15 of the founding partners not appearing in the 1772

lists. Table 1 presents the demographics of the co-partnership over its short life as a going concern. Although categorisation by profession should not be taken as mutually exclusive, as merchants and lawyers could also own estates, it is still accurate to state that ‘the basis of Douglas Heron’s credit was land’.  

Although the Ayr Bank was not the first Scottish country bank, it was certainly the largest and best supported that had hitherto appeared. Its mission statement was unabashedly ambitious, starting with its Pro Bono Publico motto. Convinced that ‘the business of banking, when carried on proper principles, is of great public utility, particularly to the commerce, manufactures, and agriculture of a country’, the founders made no secret of what they regarded as the unreasonable meanness of the Edinburgh banks. Following the final defeat of Jacobitism and victory in the Seven Years War, the Scottish economy had entered an expansionary phase in such sectors as linen manufacture and canal building, while Glasgow had become the main entrepot for American tobacco. Growth outstripped the meagre quantities of specie in circulation, a problem that was as much pressing in England as it was in Scotland, and was hampered by the unwillingness of the Edinburgh banks to issue and lend enough paper money as a substitute. Even in 1774, after the project had collapsed so spectacularly, the author of the unsigned manuscript Case for Messrs Douglas Heron & Co. (hereafter: Case) reiterated the complaint that in

\footnotesize
\begin{itemize}
\item[12] Munn, Provincial Banking Companies, 30, Checkland, Scottish Banking, 125
\item[13] Precipitation, Appendix I, 1
\end{itemize}
1768-9 the public banks ‘withdrew their credits they had formerly allowed [...] within a very narrow compass, whereby the improvements in agriculture were in a great measure stopped and the manufacturers very much distressed’.\textsuperscript{16} Smith later confirmed and approved of this credit contraction, and rejected in general the use of bank lending as a way to finance capital-intensive projects.\textsuperscript{17} The conviction however, that the Ayr Bank’s motives were benign and its function useful for the country long survived the affair in some quarters.\textsuperscript{18}

The bank has been justly called experimental for establishing a branch network.\textsuperscript{19} The centralisation of banking in Edinburgh, combined with a reluctance by the chartered banks to discount inland bills, had left large parts of the country chronically under-banked.\textsuperscript{20} South-west Scotland, where over half of the Ayr Bank’s partners were based, was only served by two small private banks in Ayr and Dumfries respectively.\textsuperscript{21} The co-partnership therefore opened full branches in these two towns, as well as five more agencies around the country. The two existing local banks were bought out in 1771.\textsuperscript{22} Rather than act strictly as a provincial bank however, the company underlined its ambition to compete with the public banks by opening a third full branch in Edinburgh. Notwithstanding its latter reputation for

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\textsuperscript{16} National Archives of Scotland (NAS), Buccleuch papers, GD224/178/9. This document’s context makes it likely that it was authored by George Home (footnote 8584 below)
\textsuperscript{17} Smith, WoN, II.ii.65-9
\textsuperscript{18} Farmer’s Magazine (Edinburgh), XII (1811), 110-1
\textsuperscript{20} The Bank of Scotland had briefly experimented with branching in 1696-9 and 1731-3 (Munn, Provincial Banking Companies, 4, Saville, Bank of Scotland, 109-10).
\textsuperscript{21} John Macadam & Co., and Johnston, Lawson & Co. respectively.
\textsuperscript{22} Precipitation, Appendix III, 28-9.
\end{flushright}
irresponsibility and the contemporary complaints from its competitors,\(^\text{23}\) at the time the bank was quickly accepted as an integral part of the business landscape of the country, and was indeed instrumental in the establishment of the note exchange system that put an end to the “note picking” wars (the amassing of other banks’ notes for sudden presentation for specie) between Scottish banks.\(^\text{24}\)

There are two explanations in the literature on why the venture failed despite these considerable resources, namely overtrading and culpable mismanagement. The first, of which Smith is the original exponent, focuses on paper money reflux due to excessive issuance, i.e. the too rapid return of banknotes to their issuer in demand for specie. This is supposed to have led in turn to the expedient of ’raising money by circulation’ in London through the re-drawing of bills of exchange. Contemporaries made much of the “fictitious” nature of such bills which did not correspond to real commercial contracts, but were merely fiat financial instruments.\(^\text{25}\) The bank’s expansion is also deemed to have been imprudent from a credit as well as a monetary perspective, through the granting of too many cash accounts and the establishment of an overly enthusiastic bill discounting operation. It has been claimed that these loans were of dubious quality,

\(^{23}\) BOS, Secretary’s letterbook, 1/30/4, fos. 35, 45, 47-8, 54, 62, and Aberdeen Bank Minutes of the Court of Directors, ABC 2/2/1, fos 32, 41, 43, 45-6, 68
\(^{24}\) Munn, *Provincial Banking Companies*, 24-5
the bank supposedly achieving the rapid growth of its business by taking over what ‘was left [of] the bad loans by the established banks’, and that this abundant credit was mainly employed in conspicuous consumption and land speculation.

The second view is couched in allegations of managerial dishonesty. The Precipitation, with its repeated assertions of wrongdoing by the outgoing directors, is the source of this tradition. Indeed, the Committee of Inquiry who compiled it eventually took legal action against former directors, cashiers, and trading counterparties based on these allegations, although with no apparent success. Some modern treatments have been influenced by these arguments, using terms like ‘looting’ or observing that ‘the affairs of the bank [seemed to be] run by a small clique’.

There is much truth in all this. The bank certainly expanded rapidly, growing a balance sheet of £1.2 million in a little over two years with a leverage factor close to 12 at the time of the crisis (Table 2). Although some contemporary English private banks displayed comparable leverage, in absolute terms their balance sheets were

26 Kindleberger, Manias, 44.
27 Forbes, Memoirs, 39. Smith, WoN, II.i.77, refers to the bank’s debtors as ‘chimerical projectors’. Wilson, Anglo-Dutch Finance, 171, castigates the Ayr Bank for financing ‘every kind of social pretension which needed capital for its fulfilment’. Neither gives any particulars.
28 NAS GD207/149, printed circulars by John Scott, Alexander Gordon and Walter Scott, 31 March 1779, and by Walter Scott, 9 July 1779
29 Frank Brady, “So fast to ruin: The personal element in the collapse of Douglas, Heron and Company”, Ayrshire Archaeological and Natural History Society Collections, 11 (1973), 25-44. Litigation against partner Robert Needham, formerly of Mayne & Needham, the main London correspondents of the bank, continued at least to 1816 (NAS, Home-Robertson Papers, GD267/20/18, Note to the 1816 balance sheet).
30 Brady, ‘So fast to ruin’, 29, Munn, Provincial Banking Companies, 35-6, although the latter comment is addressed against the Committee of Inquiry as much as the original directors.
typically five to ten times smaller, while their ratios of cash reserves over total assets were high, typically 30-50%.\textsuperscript{31} Banknote circulation likewise reached £224,000 just before the collapse, which was supposedly two-thirds of the total paper money circulation of Scotland, although this is very likely an overestimate.\textsuperscript{32} Furthermore, some of the bank’s practices would certainly raise more than one eyebrow among modern practitioners, such as lending to trading companies partly owned by partners, or employing partners’ companies as London correspondents, thus subjecting the bank to conflicts of interest.

It is also true that in order to finance this credit expansion the bank issued drafts on London correspondents, which it paid off by re-drawing longer-term bills on London, a practice known as “swivelling”. This was by no means an dishonest or foolhardy operation in itself, but a long-established technique for the long-distance transfer of credit in the absence of a modern-style “interbank” market.\textsuperscript{33} The problem in this particular case was the sheer scale and associated cost of the

\textsuperscript{31} Examples include Barclays (Barclays Group Archives (BGA) 364/1-40 &78-84), the Bristol Old Bank, and its London correspondent, Prescott Grote (Royal Bank of Scotland Archives (RBS) MCB/1/1 and PRE/263).

\textsuperscript{32} Munn, \textit{Provincial Banking Companies}, 31. A 1777 discussion between George Home and Henry Dundas gives a total of £900,000 for the whole of Scotland (BOS, Melville Papers, MEL/1, ‘Observations by Geo. Home on Bank & Circulation’).

operation, which eventually comprised half the bank’s liabilities and was reportedly costing it at least 3 per cent per annum over interest revenues.\textsuperscript{34} 

That said, there is also exaggeration and bias in the traditional analysis. There is no evidence that loans were non-performing to any noticeable degree prior to the panic, or that the collateral backing them was particularly poor. Self-lending was not a vice unique to the Ayr Bank, nor indeed one specific to Scottish banking.\textsuperscript{35} The \textit{Precipitation} is furthermore markedly selective with the record, by presenting only one side of the internal correspondence of the firm, showcasing the complaints by the Edinburgh branch about the credit practices of the main Ayr office without including any of its retorts or justifications.\textsuperscript{36} Its objections to the bank’s lending practices had more to do with their allegedly unauthorised nature (something that has been disputed in modern literature)\textsuperscript{37} rather than the poor quality of the loans, although it did convincingly point out the poor diversification of risk arising from allowing debtors to act as guarantors for each other.\textsuperscript{38} The report itself was controversial with partners, several of whom published their own pamphlets attacking its methodology and conclusions, and was only approved by the General 

\textsuperscript{34} Smith, \textit{WoN}, II.i.73, arrives to this figure by a simple calculation of six such operations annually at an average commission of 0.5\%. George Home’s private correspondence puts post-crisis annualised commission costs as high as 7\% (footnote 85 below).

\textsuperscript{35} Jacob M. Price, \textit{Capital and credit in British overseas trade: the view from the Chesapeake, 1700-1776} (Cambridge, Mass.), 67-9.

\textsuperscript{36} \textit{Precipitation}, Appendix IV, 32-47.

\textsuperscript{37} Munn, \textit{Provincial Banking Companies}, 31

\textsuperscript{38} \textit{Precipitation}, 22 and Appendix VII, 89-91
Meeting with much difficulty at the third attempt.\textsuperscript{39} Indeed, the Committee who compiled the report was itself unpopular enough to have been superseded by a proprietor vote in 1774, and needed to be re-established after legal action by the Duke of Buccleuch and other partners.\textsuperscript{40} There is no particular reason to give credence to the claims of innocence from those partners who were accused by the Committee, but there is certainly more than a slight impression that the \textit{Precipitation} was more of a piece of pamphlet literature rather than the groundbreaking impartial report as the traditional narrative would have it. At the very least, the dispute makes it even more imperative to re-examine the primary record as it survives.

The experimental nature of the bank with its novel branch structure, coupled with what might be termed its poor corporate governance, may have been as important causes for its failure. As the \textit{Case} put it, far from diversifying risk as branch banking is supposed to do,

\begin{quote}
\textit{Each branch was put under the management of nine directors who were not under the control of the directors of the other branches, so that this company in fact consisted of three different banks though they operated upon the same Capital. Each of the branches accordingly}
\end{quote}


\textsuperscript{40} NAS GD224/178/4/6
issued notes, lent money, and discounted bills as if they had been operating upon the whole capital, whereas they ought to have limited their operations to a third part thereof; so that in a very short time after they opened, the bills and bank notes they issued very far exceeded the proper proportions corresponding to their capital.

Ultimately, the biggest weakness of the bank’s business model was that its leading directors were neither financiers nor of any other mercantile background, but rather ‘young gentlemen of the law, many of them of genius and spirit, but not conversant in matters of trade’. Although it was not altogether unknown for legal professionals to engage in banking in this period, the Directors’ pleas of ignorance and lack of training for the job they were asked to perform are as convincing as any unproven accusation of wrongdoing levelled against them.

The company was by no means blind to its approaching peril. In February 1771, its growing London debt had led at least one correspondent to refuse to accept any more of its drafts. The situation had grown serious enough by May 1772 as to induce the General Meeting to order a retrenchment, but events were to show that it was already too late to reverse course.

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41 “Considerations on the present State of Credit”, Morning Chronicle, 25 June 1772
42 L. S. Pressnell, Country banking in the industrial revolution (Oxford, 1956), 36-44
43 Wight and Ferguson, Letter, 3. Ferguson made a similar argument in a 1773 letter to the Duke of Queensberry, quoted in Munn, Provincial Banking Companies, 31.
44 Precipitation, 29-30 and Appendix V, 54-6. This was the bank of Dimsdale, Archer, and Byde.
45 Precipitation, 36 and Appendix III, 50-1.
The crisis broke out in London on 10 June 1772 when Alexander Fordyce, the leading partner of the bank of Neale, James, Fordyce, and Down, absconded after being caught wrong-footed in his speculations in East India stock. By the 22nd ‘a universal bankruptcy was expected, and the stoppage of every banker looked for’. Although the Bank of England quickly intervened by advancing credits to selected bankers, and by facilitating a City-led rescue of the important private bank of Glyn & Hallifax, by year end the crisis had spread to Amsterdam claiming the major bank of Clifford & Sons as its most prominent victim. Ripples were felt as far afield as the North American colonies.

It is tempting to assign causal relationships to these events and talk of financial contagion. Indeed, contemporaries were quick to do so, describing Fordyce’s failure as the spark that ‘set fire to the mine’, and marvelling at the speed with which news of it was brought to Edinburgh by ‘a gentleman who came down in 43 hours’. James Boswell famously described the shock as just that: ‘like a company connected by an electrical wire, the people in every corner of the country

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46 Gentleman’s Magazine XLII, 310-1
47 SM, XXXIV, 311
48 Joint account for John Woodhouse, James Calvert and Peter Hodson, Bank of England (BOE) Archives, ADM 7/20, fos. 691-4 & 5993, RBS GM/136
50 Kindleberger, Manias, 124
51 Forbes, Memoirs, 40-1
52 London Evening Post, 18-20 June 1772
have almost instantaneously received the same shock’. Contagion relationships are however easier to state than to prove, and Fordyce’s role in precipitating the Ayr Bank’s difficulty is not easy to pinpoint. The bank’s directors were quick to disavow any significant credit exposure. In a June 15 letter to the Edinburgh banks, they asserted that they were ‘entirely covered in their Engagements which are to the extent of £22,000 with the Houses that have failed in London, having actual Value in their hands for all those Bills’. Although there is nothing new in bankers decrying ‘ill-grounded reports raised by foolish or malicious people’ concerning their credit, this account of their exposure should not necessarily be dismissed as mere bluster. The bank’s connections with Alexander Fordyce were at best tenuous. He was certainly not its London correspondent as he has been described. Of the many failures of June 1772, only Charles Ferguson & Co. had served as correspondent, but exposure to them only came to £1,650. Conversely, none of the over 500 claims made to the Commission of Bankruptcy against Alexander Fordyce and his partners came from the Ayr Bank. Although there were substantial additional losses arising from stock-jobbing, debts contracted by Fordyce separately, and debts not admitted

by the joint commission, there is no evidence that the bank was a party in any of these transactions.

One demonstrable link between the bank and the originator of the panic in London is the latter’s cousin, John Fordyce, Receiver General for Scotland. Like other officers of the Revenue in this period,\(^5^9\) he was also a banker active in both London and Edinburgh, and was involved in swivelling with several of the failed firms of June 1772, including the Ayr Bank.\(^6^0\) Alexander Fordyce served as his sometime London banker, although he was never quite his ‘London branch’ as he has been described.\(^6^1\) The £59,513 John Fordyce claimed from the estate of his bankrupt cousin was in fact public money, part of £72,000 granted by Parliament in July 1770 ‘for payment of the debts on forfeited estates in Scotland’.\(^6^2\) In his 1779 answers to the allegations made against him in the *Precipitation*, he claimed that the Ayr Bank’s directors, needing to keep remitting large sums by bills on London as part of their financing operations, proposed to pay the government’s creditors in Scotland in their ubiquitous banknotes in exchange for his drafts upon his cousin. These they could then either remit to their correspondents, or have discounted for cash. This ability to obtain bills accepted by a reputable London banker (as Alexander Fordyce was very much at the time) was prized by the Ayr Bank directors. They accordingly made


\(^{60}\) NAS CS237/F/3/13, Court of Session, Fordyce, Malcolm & Co. vs. Arbuthnot, Guthrie, & Co., 10 June 1778


\(^{62}\) Fordyce, *Letter*, 5
repeated use of it, despite the reported reluctance from some of the government’s creditors to accept their banknotes. The outstanding sums in June 1772 were however not excessive; no more than £11,200. The bank eventually received sufficient dividends and compositions from the various bankrupt parties (including both Fordyces) for its loss from that quarter to have come to only £1,387.63

The true nature of the impact of the crisis on the asset side of the Ayr Bank’s balance sheet was that the failure of so many London houses (and not just Alexander Fordyce) led to £180,000 of bills the bank had purchased for its financing operations to become dishonoured. Some of this was ultimately recoverable, either through the stopped houses paying out again (as in the case of Glyn & Hallifax), or through bankruptcy dividends and compositions (as in the case of the two Fordyces and Charles Ferguson & Co.). There is little doubt however that the bank’s assets suddenly lost a portion of their value.

As public fear for the extent of such losses grew, ‘the common people ran in crowds to draw specie for their notes’, and the bank admitted on June 16 that ‘these two days past, [it] had an immense demand for specie from the lower class of people in exchange for notes’.64 No account of the bank’s cash reserves has survived, but contemporary informed opinion estimated that £50,000 was paid out in one fortnight.65 This is corroborated by the same June 15 letter to the two public

63 Precipitation, Appendix X, 123.
64 SM XXXIV, 313
65 NAS GD267/22/7/57, George Home to Patrick Home, 29 June 1772
banks quoted above, in which the bank asked for a six month loan of £20,000 from each to ‘efficiently stem the Evil’. £40-50,000 is probably an under-estimate for the extent of the problem the bank faced. By comparison, the bridge loan to Glyn & Hallifax in London came up to £89,139 for the one month of its stop of payments. That firm’s books have not completely survived and it is possible that further assistance was forthcoming, 66 but it remains unlikely that a London private bank restricted to six partners 67 could have built the same credit exposure as a three-branch public bank with 237 partners and leveraged 12 times.

In the event the Edinburgh banks rejected the plea, and the Ayr Bank was forced to suspend payments in specie on June 24. Although serious, a stop was not necessarily fatal in itself, as the experience of Glyn & Hallifax showed. Convertibility had moreover been more of a point of principle rather than an unbreakable rule in specie-starved Scotland. 68 Rather more worryingly, the London crash denied the bank its habitual route of refinancing its liabilities through the redrawing of bills of exchange, since so many of its counterparties had either failed or were forced to retrench. In addition to this general stagnation of credit, there was the complication of the revival of anti-Scottish feeling which swept London in the wake of Fordyce’s

66 Private loans of £38,500 are mentioned in Fulford, Glyn’s 1753-1953: six generations in Lombard Street (London, 1953), 32-4, though whether they were employed in the bridge loan is unknown.
67 Through the 1708 Bank of England monopoly on joint-stock banking (7 Anne, c. 7).
68 Checkland, Scottish Banking, 185-6 puts it succinctly: ‘No one really expected to be able to enter a Scots bank... with a large holding of notes and receive the equivalent immediately in gold or silver’. M. N. Rothbard, “The myth of free banking in Scotland”, Review of Austrian Economics 2 (1988), 229-45, observes that ‘the reason that Scottish banks could afford to be outrageously inflationary... [was] that, in practice, they did not really have to pay’.

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flight. 69 Although hostile letters to the press or satirical prints did not in themselves harm institutions like the Ayr Bank, resentment at the ‘deluge of Scotch paper for English gold’ 70 did reflect a market-wide unease about the quality of Scottish bills of exchange, particularly as ‘the foundation of them [was] very little understood’. 71 Unfamiliarity with Scotland’s legal system, and thus the security of Scottish collateral, made it difficult for anyone north of the Tweed to raise money in England long after the crash. In May 1773, George Home wrote from London where he was trying to raise money for his own family, that

The demands for money are so universal, and such undoubted security can be got in England for every sum to be lent, that they will not hear of Scots security. The great inducement which people in this country had to lend their money in Scotland is for the present at an end (...). And although our security is generally understood to be unquestioned, great objections are made to our Law of Deathbed and to our heritable bonds not being deviseable by will. 72

71 SM, as footnote 64 above.
72 NAS GD267/22/7/81, George Home to Patrick Home, 1 May 1773
As late as May 1774, it was observed that one ‘could sooner raise money upon the credit of any capital merchant in the City of London than on that of all the 16 [Scottish] Peers’ together.\textsuperscript{73}

This inability to refinance the bank’s liabilities was far more serious than devaluing assets, or even the drama of a bank run and stop of payments. With £600,000 of its bills due to mature shortly, and with new drafts on its correspondents being protested (Table 3), the company had only a short time before it was forced into bankruptcy.

III

Thoughts turned to a rescue of some sort. The Edinburgh banks did not have the resources to refinance the immense Ayr Bank balance sheet, even had they been thus inclined. The only institution capable of providing the sums required was the Bank of England. Despite press rumours to the contrary,\textsuperscript{74} it was apparently not influenced by the prevalent anti-Scottish rhetoric, and offered to double the size of its discount facility to £300,000. But the deal fell through over the terms attached to it, namely a commitment to reduce note circulation by £50,000 every six months until the total amount under discount was back under £150,000, mortgages on

\textsuperscript{73} NAS GD248/116/4, Alexander Grant to Sir James Grant, 13 May 1774
\textsuperscript{74} SM XXXIV, 315-6
estates to that value, and the personal bonds of the Dukes of Buccleuch and
Queensberry, Archibald Douglas, and Patrick Heron.\textsuperscript{75}

Unfortunately there survives no correspondence to explain why this offer
was rejected. The terms were certainly thought to be very severe by outsiders. David
Hume referred to the Duke of Queensberry’s proposed commitment as ‘madness’
and ‘not very wise in him’,\textsuperscript{76} and a hostile letter in the English press gleefully related
how ‘the Scotch patriotism of two Dukes (…) vanished into thin air’ when the
magnitude of the undertaking was supposedly revealed to them.\textsuperscript{77} It is nonetheless
hard to imagine a worse alternative than the one finally settled upon: issuing life
annuities in London.

Over the summer of 1772, approximately £450,000 were raised at an interest
rate between 12 and 14 per cent per annum (Table 4).\textsuperscript{78} The measure, which was
retroactively approved by the November 1772 General Meeting, allowed the bank to
resume payment, although this was little more than window dressing according to Hume:

\textit{They pretend to open at Air in order to have a Pretence for striking off
any farther Interest, but as soon as great Sums are demanded they}

\begin{itemize}
  \item \textsuperscript{75} BOE, Minutes of the Court of Directors, G4/21, fo. 260
  \item \textsuperscript{76} Smith, \textit{Correspondence}, 165
  \item \textsuperscript{77} ‘An Englishman’, \textit{Craftsman or Say’s Weekly Journal}, 18 July 1772.
  \item \textsuperscript{78} Lists of some of the annuitants have survived, for a total of £63,650. All had London addresses (NAS GD224/178/1/4).
\end{itemize}
pretend that they are only to change small Notes for the Circulation of
the Country; and so refuse Payment: this is in effect shutting up again.\textsuperscript{79}

The annuity measure was the pivotal event which made the company non-
viable as a long term proposition. It resulted to a minimum annual loss over interest
revenue of £33,000, even before any bad debts were taken into consideration. This
was a prohibitive amount under any circumstances and an impossibility in the credit
environment of the time. Any Bank of England loan would have been made at the
maximum legal interest of 5 per cent, whereas annuity interest was unrestricted by
usury laws. Moreover, the personal security of the two Dukes was still required,\textsuperscript{80} so
it is hard to understand why this was considered less onerous than the terms
demanded by the Bank of England, particularly as the annuity sums guaranteed
were three times as great as the proposed assistance by the Bank.

There is simply not enough evidence to attribute this disastrous decision to a
specific motive. A wish to remain independent, panic, or inexperience, are as likely
as the\textit{ Precipitation}'s claims that the annuity money was intended for the ‘private
accommodation’ of favoured counterparties.\textsuperscript{81} George Home, who as manager for
the company after August 1773 was intimately involved in the publication of the
\textit{Precipitation} if he did not author it outright, commented privately on the ‘foolish
engagements the Directors at London were tricked into by a certain West India

\textsuperscript{79} Smith,\textit{ Correspondence}, as footnote 75 above
\textsuperscript{80} \textit{Precipitation}, Appendix VIII, 93-6
\textsuperscript{81} \textit{Precipitation}, 105 & 108-18
house in Edinburgh’.  

He probably referred to William Alexander & Sons, a major sugar and tobacco concern connected with Glyn & Hallifax in London.  

It was to help Glyn’s to emerge from its payment stop that Alexanders’ borrowed £10,000 from the Ayr Bank annuity money. Home would have been uncharitable in characterising this particular loan as foolish or culpable, as the revived Glyn’s were thus able to honour £15,000 of Ayr Bank bills they had accepted.  

If, however, he implied that Alexanders’ influence extended over the whole annuity decision, then he definitely had a point.

Whether by dishonesty or incompetence, the accounting of the annuities was so ‘loose and slovenly’ as to make it impossible to state what amount was raised exactly. Even worse, although most of the annuities were supposed to be redeemable at the option of the company, the option clause was omitted from the written annuity contracts. The Case, which was addressed to jurist and future Lord Chancellor Alexander Wedderburn with the aim of finding a legal way out of the annuity debt, explained the reason for this apparent oversight:

It was agreed verbally, though not entered in the bonds (...), that it should be in the power of [the bank] at any time to redeem these annuities (...). This agreement, though understood between the parties,

82 NAS GD267/22/7/89, George Home to Patrick Home, 26 August 1773  
83 Price, France and the Chesapeake, 606-9, 639-42  
84 Wight and Ferguson, Letter, 23, Fordyce, Letter, 39
was not contracted in the annuity bonds as it was imagined if the bonds contained such clause they might be voided on the Statute of Usuries.

Wedderburn’s opinion was that both this rationale, and any hopes of setting aside the annuities as usurious after all, on the strength of their immense interest rate, were equally unfounded. He was concerned that if the annuitants disputed the verbal option clause in court, the contracts would in all likelihood be judged irredeemable. He finally cast doubt on the prospects of an intervention of a Court of Equity, as it had been the company which had sought the annuities in the first place, being ‘imprudent, but not deceived nor imposed on by the annuitants’.

All that the annuity measure had achieved therefore was to buy a little time at immense cost. A number of partners decided to use this breathing space ‘to get out of the Scrape as soon as [they could] by a dissolution of the Copartnery (...) without doing any further injury to the partners or to the Country’. They predictably included those richest and most pre-eminent partners whose fortunes could be liable for the whole of the partnership’s debts in the event of a bankruptcy. It was vital to them that the company be wound up instead. Their manoeuvring can be observed in two significant letters written by Home in early 1773 and addressed to Henry Dundas, then Solicitor-General and one of the bank’s new extraordinary

85 The original text is unsigned and undated, but Wedderburn’s responses written on the same document are signed and dated 29 January 1774.
directors. Home urged dissolving the company as soon as possible and somehow getting out of the crippling London debt burden. Quite apart from the annuities, another £83,000 were due to various London counterparties, a debt he was disturbed to see serviced by the old ‘disagreeable, ([almost] disgracefull) practice of hunting through the City for Discounts’. This not only cost as much as 12 per cent to maintain, but also further injured the credit of the company ‘by the number of their bills circulating in London and by the arts and solicitations they are obliged to make use of to obtain discounts’.

There also remained over £200,000 of banknotes still outstanding and theoretically convertible to specie. Home advised seeking the help of the Edinburgh banks in withdrawing them from circulation in exchange for the company giving up business. He was confident that if the banks were certain that their competitor had resolved to wind-up, they would be keen to take up its banknotes at a profitable to them discount of at least 10 per cent.

Significantly, Home implied that winding-up was not a popular option with many of the partners, and advised that in order to dissolve the Company an extraordinary General Meeting should rather be held

_in Edinburgh in April, [to] save much trouble and prevent effects of any Cabals that may be formed for the [regular] General Meeting in May._

86 NAS GD224/178/2/22 (15 January 1773) and GD224/178/2 (15 March 1773). Both letters were copied to the Duke of Buccleuch. For the appointment of the extraordinary directors, see NAS GD267/3/3/1, George Home to Patrick Home, 11 January 1773.
But if the Extraordinary Directors shall find it impossible to get the Company dissolved before [then], it seems prudent (...) upon some plausible pretence to get the meeting adjourned to Edinburgh. All the Partners in that neighbourhood will be desirous of dissolving the Company [whereas] most of the Partners about Air will wish it to go on.

On 12 August 1773 the bank closed its doors for good, established a Committee of 15 to oversee the winding-up, and appointed Home as factor and manager. In exchange, the Edinburgh banks retired £132,000 of its banknotes between August 1773 and May 1774, each taking up about half. In order to replace the annuities with cheaper and shorter duration debt as well as resolve the verbal redemption option problem, an Act was passed by Parliament in March 1774 for authorising a sale of £500,000 in transferrable bonds bearing 5 per cent. These were secured on unentailed estates in Scotland yielding £32,000 per annum, and were to be repaid in equal portions in 1778, 1779, 1780, and 1782. The final cost of the annuity exercise, including interest, premia, and transaction costs, came close to a staggering £50,000.

Although the Act was formally concerned with the bond issue alone, it also stated in passim that the annuities were subject to ‘a power given by the purchasers

87 BOS 1/94/20, RBS RB/12/11. The remaining £85,000 were presumably retired in England. Around £2,000 remained at large as late as 1793, mostly in the notes of the old Ayr and Dumfries banks that had been taken over in 1771 (NAS GD224/178/732/1/9)
of the said annuities, by verbal agreement,\textsuperscript{89} to the bank to redeem them with half a year’s annuity as penalty. There was no challenge to this interpretation as Wedderburn had feared, nor did the holders object to having their lucrative annuities exchanged for short term securities paying only 5 per cent. With very few exceptions, the take-up of the offer was prompt and universal.\textsuperscript{90} It is possible that the English annuitants settled for the sizeable redemption premium and the increased tradability of their new securities, rather than risk the company enter bankruptcy. Notable opposition to the scheme came from the East India Company, its own finances only recently tidied over by the Government as part of the Regulating Act of 1773, which petitioned that if a half million of new transferrable bonds bearing 5 percent were issued, ‘it would materially affect and prejudice the interest and credit of the [Company], by reducing the value of their bonds, which are now issued at an interest of three per cent only’. Another petition expressed concern that the bonds would adversely affect the value of the public Funds, and there was some resistance in the Commons over granting ‘a greater privilege than ever was granted before’. Despite such objections the Act passed easily, 176-36.\textsuperscript{91}

As the Bill was making its way through Parliament, Adam Drummond, a Member as well as owner of two shares in the company, threatened to speak out

\textsuperscript{89} Emphasis added
\textsuperscript{90} R. Glover, \textit{The substance of the evidence delivered to a Committee of the Honourable House of Commons}, (London, 1774), 74, states that the proposals for redemption ‘were unanimously agreed to by a very numerous meeting of annuitants’. £2,000 of unredeemed annuities still appear in the 1775 balances, and one annuitant is listed as unredeemed for £800 in 1788.

\textsuperscript{91} SM XXXVI (1774), 196
against it. Concerned about his personal liability, he argued that the directors who had negotiated the annuities had exceeded their authority in doing so.\textsuperscript{92} The threat of delaying and perhaps scuttling the Bill alarmed the Dukes of Buccleuch and Queensberry, whose personal bond was guaranteeing the annuities, into buying Drummond’s shares with the understanding that the company would in due time relieve them from any liability arising from them.\textsuperscript{93} It is a sign that neither the new regime nor its handling of the unwinding of the bank were universally popular with the partners, that this straightforward transaction dragged on for decades. No formal application for relief was made until 1778, and although the Committee expressed its gratitude and willingness to forward the claim to the General Meeting for approval, it nevertheless never did so. Its reticence can be explained by the fact that such an application would have coincided with the difficulties surrounding the approval of the \textit{Precipitation}, then presented for the third and final time, as well as that the bond scheme was already encountering serious difficulties. It was thought that an extra demand on the struggling partners on behalf of the richest among them would be too much to ask in that context.\textsuperscript{94} The Duke of Buccleuch was still trying to receive compensation from the bank through arbitration in 1791.\textsuperscript{95}

\textsuperscript{92} NAS GD224/178/8/3, fo. 2. His concern was well founded: Drummond was a partner at Coutts between 1775-80, but was asked to leave for fears about his Ayr Bank liability (Coutts Archive, Letter 2563, Thomas Coutts to ?[Colonel Crawfurd], 24 June 1780).
\textsuperscript{93} NAS GD224/389/12.
\textsuperscript{94} NAS GD224/178/8/3 fo. 7. This argument was made retrospectively by Home in 1790.
\textsuperscript{95} NAS GD224/178/1/5, GD224/732/1/3. The Duke of Queensberry had died in 1778. The verdict of the arbitration is unknown.
The company now entered its long liquidation phase (Table 5). In the same 1773 letters to Dundas, Home outlined a structured debt collection plan in which he divided debtors by occupation and proposed different schedules for payment and for putting pressure on them. He distinguished debtors into two broad categories: (a) merchants and manufacturers, and (b) farmers and landholders. The former

whether possessed of land or not, should be obliged to give bills for [their] debt (...), and they should be acquainted that if their bills are not paid when due, all that whose debt exceeds a certain sum (...) must resolve either to take annuities corresponding to their debt and find sufficient security for the payment of them, or submit to the diligence of the Law. Those whose debts are below the above sum must be treated according to their different circumstances. Only it should be observed as a General Rule with all, never to allow their bills to lye over when due, and never to agree to a renewal without the payment of a part.

He urged a lenient treatment for farmers, for ‘it would be vain to force annuities upon them’, but was much more severe with landowners, who

should be obliged either to pay their debt at the first term after the dissolution of the Company, or take annuities corresponding to it and give heritable security for their regular payment. There is some reason for allowing a merchant two terms to make his payments as he may
have effects which will require some time to convert into money, but a
landed man can have none except for corns or cattle, and these he can
get disposed of at any time.\textsuperscript{96}

Home also suggested that those managing the wind-up should be ‘men of
business who are to be paid for their trouble’, rather than high-minded generalists.
To properly motivate such professionals, their payment should come from a
percentage of the debts recovered rather than a fixed salary, as ‘it can never do
harm to make it a man’s interest to be honest and industrious’. It is ironic however
that when Home took the job himself, he rather preferred a fixed salary after all.\textsuperscript{97}

Unfortunately for Home’s professed ‘vanity of having it in [his] power to
show that the involved affairs of a great Company may be wound up with integrity
and Dispatch’,\textsuperscript{98} the process quickly encountered difficulties. The pace of asset
recovery fell behind that of bond repayments, and although interest was
meticulously paid there were never enough funds to fully discharge the principal on
schedule. The bonds had a mixed record as tradable securities. There had been
hopes that they would prove as liquid as East India bonds, and initially at least they

\textsuperscript{96} Home’s severity can be observed in a series of 28 letters sent between January 1776 and October
1779 to John Carruthers of Holmains, in which he eventually demanded the sale of the latter’s estate
to discharge his debts. The letter sequence ends abruptly, but sundry debts due by Carruthers were
still being auctioned off in 1788 and 1793 (NAS GD207/149).
\textsuperscript{97} (NAS GD267/22/7/89, George Home to Patrick Home, 26 August 1773)
\textsuperscript{98} NAS GD267/12/8, George Home to Patrick Home, 22 March 1773
enjoyed brisk enough demand, rising as high as a 4½ per cent premium in 1774. A Scottish planter in Grenada in 1775 thought that the bonds were unjustifiably cheap as the ‘solidity of the Douglas Bank [was not] so well understood in England, as it ought to be’, and even expressed a preference for them over the public funds, fearing that the latter were due for a fall if the ongoing dispute with America deteriorated any further. By August 1778 however, the bonds had fallen into 3½, 5½, and 7 per cent discount for the three final maturities respectively, and there were reportedly ‘no buyers whatever’ for them. By 1780, market opinion had deteriorated to the point of the Bank of Scotland bluntly informing Home that ‘there are few [...] men in the Kingdom who will rank them with India Bonds’.

By then ‘the severity of the Bank of Scotland’ had become the biggest problem Home had to face. The Royal Bank had proved forgiving enough, perhaps influenced by the Duke of Buccleuch’s governorship since 1777. Creditors in England also proved amenable to accepting extensions to the their bond maturities,

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99 The Bank of Scotland purchased £50,000 on issuance and eventually held more than £86,000 (BOS bond book, 1/160/2. BOS 1/5/6 15 June 1774). The Aberdeen Bank purchased £5,000 in 1774 (BOS, Aberdeen Bank ledgers, ABC 3/1/2-3). Coutts bought £4,000 in 1775, and traded in them between 1787-9 ahead of their belated redemption. Holdings reached £6,000 according to their ledgers (Coutts Archive, Public Ledgers, 1772-5, fo. 218, 1775-80, fo. 68, 1785-9, fos 19, 190 & 267, 1789-93, fo. 62), but Home’s private correspondence indicates that they may have held as much as £20,000 (NAS GD267/6/37, George Home to Patrick Home, 18 June 1789).

100 Coutts purchased £1,000 at this price on 19 January 1775, and another £3,000 on 23 August 1775 between 1¼ and 4¼ per cent premium. The premium was about 3 percent at the time of the Bank of Scotland’s purchases (BOS 20/30/3, George Home to Thomas Steuart, 12 May 1780, memoranda of Committee internal correspondence of 1 & 5 August 1774).

101 NAS CS181/6942, Alexander Scott to Robert White, 25 October 1775

102 BOS ABC 2/2/2, 5 August 1778. Even so, the Aberdeen Bank managed to sell its holdings out between 18 June - 5 November 1778.

103 BOS 20/30/3, Thomas Steuart to George Home, 7 May 1780

104 It still held £10,000 in 1786. RBS RB/12/12 fos. 270-4 & 379-80, RB 12/13, fos. 412-3
probably feeling secure in the mortgages held by the independent Trustees in London, and happy to earn the maximum legal interest in the meantime. By contrast, the increasingly exasperated Bank of Scotland refused to accept having their limited capital tied up in such an unproductive investment, and pointed out that if it were more productively lent out to the wider public it might help the Ayr Bank’s own debt collection efforts in the long run.

Each approaching bond maturity thus became an emergency, as the Bank of Scotland threatened to take action against the most prominent partners unless its principal was repaid on schedule. This was only averted through a series of demands by the Committee for extraordinary “contributions” from partners. A call for £200 per share was made in 1776, but was contested in the Court of Session on the grounds that since the company had given up business neither the Committee nor the General Meeting had the right to compel such contributions. The Court’s ruling that the company was entitled to make such demands as per its articles of copartnery, since it was neither bankrupt nor dissolved, was a landmark case in defining the liability of individual partners, and opened the road for further “contribution” demands in the future.105

In November 1778, the bank called for £541 10s 4d more for each of the 317 nominal shares, but 98 partners holding 128 shares failed to respond. The shortfall

was made up by partners contributing more than their share, and a little over £89,000 were thus raised.\textsuperscript{106} In 1780 the standoff with the Bank of Scotland was repeated in particularly heated terms,\textsuperscript{107} and the impasse was resolved through new emergency calls on 40 prominent partners.\textsuperscript{108} In 1782, the Committee made an offer to creditors to repay the remaining principal in three instalments ending in 1786, but two years after that there were still over £150,000 of undischarged bonds outstanding, and even the combative Bank of Scotland held £33,000.\textsuperscript{109} It was only in June 1789 that the company paid off its English bondholders, and by 1793 the remaining bonds were finally redeemed. To accomplish this, a further “contribution” of £138,000 was levied on solvent partners in 1788. Total “contributions” since 1778 came to £343,200, or £2,200 per each of the 156 shares still solvent, and included compensation for those partners who had overpaid their share in the 1778 and 1780 bond emergencies. The “contribution” account continued to grow after 1788 to discharge other debts.

With the bonds repaid, Home aimed to wrap up the collection process by selling any remaining assets to other collectors in three public auctions (Table 6). His success was uneven, with many lots going unbid and with recovery rates for others in the low single digits, and little more than £4,000 were thus raised. On Home’s

\textsuperscript{106} NAS GD945/178/5/4
\textsuperscript{107} BOS 20/30/3, George Home to Thomas Steuart, 9 May 1780, and Thomas Steuart to George Home, 25 May 1780.
\textsuperscript{108} NAS GD224/178/5, covering letter to 1780 balance sheet by George Home, 15 June 1780. GD224/178/6, list of the 40 contributors, 28 June 1780
\textsuperscript{109} GD224/178/6, memorandum by George Home, 28 June 1782
retirement from managing the company in 1793, £120,000 of desperate debts were grouped together for further auctioning, with unknown results.

These problems were partly a result of bad debts. Cumulative asset write-offs already exceeded £150,000 at the time of the bond emergencies, and were to rise to twice that amount in the future. The crisis had dealt a serious blow to Scotland’s economy as land improvement and industrial projects had to be postponed or abandoned, and as trade turned lower in the restriction of credit.110 Conditions remained distressed with the descent into the American war,111 and were only partly relieved by the founding of new private banks and the establishment of a branch system by the Bank of Scotland after 1774. Hume’s much quoted fear about the Carron Company ‘reeling’ was no idle fancy.112 The company had dealings with Glyn & Hallifax and regularly drew upon the Ayr Bank, while its leading partner was involved in the 1772 failure of Francis Garbett & Co.113 Although combined action by the Edinburgh banks saved the Carron Company, the check to overall trade was severe.114

The situation was made worse by the depreciation in the value of collateral held by the bank, as the market became glutted with land offered for sale. According

110 Hamilton, ‘Ayr Bank’, 413-6
111 Home’s 1786 accounts include a write-off of £15-20,000 in American debts. NAS GD224/178/8, note to the 1786 balance sheet.
112 Smith, Correspondence, 162)
113 Precipitation, Appendix IX, 110, R. H. Campbell, Carron Company (Edinburgh and London, 1961) 133-6, NAS CS96/1327-8
114 RBS RB/12/11, fo. 75. Saville, Bank of Scotland, 164.
to tradition, estates worth £750,000, or even ‘a large proportion of the county of Ayr’, changed hands following the crisis. This apocryphal figure at best represents a notional pre-crash value rather than actual sale proceeds.\textsuperscript{115} The ever sanguine Home hoped to raise £190,000 from estate auctions in 1782,\textsuperscript{116} but quickly admitted ‘the improbability of finding purchasers (...) in the present State of the Country’.\textsuperscript{117} Considering that the bank had to call for over £400,000 in cash “contributions” from its partners to discharge its debts, the liquidation of its land assets was surely done at distressed levels. Whatever the exact amount came to in the end, the land market remained depressed enough for people outside Scotland to contemplate taking advantage and purchasing land cheaply.\textsuperscript{118}

\textbf{V}

The collapse of the Ayr Bank project has been called ‘a major catastrophe for Scotland’.\textsuperscript{119} It was certainly a catastrophe for the bank’s partners, over half of whom eventually became insolvent. Rumour put the number of bankrupt partners at 114 in 1775, while the 1788 “contribution” demand was in turn addressed to 112 partners which left 125 potentially insolvent. Those identified as merchants in the

\textsuperscript{115} The literature usually quotes an editor’s footnote in the 1860 edition of Forbes, \textit{Memoirs}, 42n. W. Fullarton, \textit{General View of the Agriculture of the County of Ayr} (Edinburgh, 1793), 22, contains an earlier instance of this claim (1791), but does not offer any details.
\textsuperscript{116} NAS MS GD224/178/6, George Home to John Davidson, 28 June 1782. Along with a list of 14 estates auctioned in 1782 and expected to fetch £42,900 (BOS 1/160/2), this optimistic target is one of the few instances where quantitative information on land sales appears in the primary record.
\textsuperscript{117} NAS MS GD224/178/5, George Home to the Duke of Buccleuch, 6 May 1780.
\textsuperscript{118} Munn, \textit{Provincial Banking} Companies, 35
\textsuperscript{119} Hamilton, ‘Ayr Bank’, 412
proprietor lists suffered disproportionately more, with almost three-quarters not contributing.

The figure usually quoted in the literature for the total value destroyed in the venture is £663,397, which includes both paid-up stock and the emergency “contributions”. Simple arithmetic shows that this figure, which originates in Robert Somers’ *The Scotch Banks* (1873), cannot arise from the similarly much quoted £2,200 per share loss, which in fact only refers to the 1778 and 1788 “contributions”. Somers’ “final” 1804 accounts are in fact neither the latest available nor the most complete. The primary record continues to 1816, and includes a complete balance sheet drawn up for that year by Home’s third successor as manager. By then, the bank’s affairs had been wound down to such an extent that General Meetings were held only once every few years, either to appoint a new manager in the place of a retired or deceased one, or to approve the payment of dividends to solvent partners as small amounts of the bank’s assets were recovered. There were at least three such payments made for a total of £98 a share, with a further £10 suggested for 1817 (Table 7). Litigation was so complicated as to make any further dividends uncertain. The last known case (Francis Garbett & Co.) was concluded in 1827, almost but not quite ‘some time after the passing of the Reform Act’ of popular report. The bank was due to receive a little over £3,500 from this

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120 NAS GD267/20/18
121 Forbes, as footnote 114 above.
settlement, which would project to a dividend of around £25 per share if the number of solvent shares remained unchanged between 1816 and 1827.\footnote{NAS CS44/132/64}{122}

Going by the 1816 accounts therefore, and notwithstanding knock-on economic effects, the total value destroyed by the venture came to £657,206 and only 138 shares still drew a dividend. The Darien disaster earlier in the century, to which the Ayr Bank affair was sometimes compared to by contemporaries,\footnote{Edinburgh Advertiser, 26 June 1772}{123} was said to have required the provision of almost £400,000 through the 1707 Act of Union. Compared with the other major British failures of the 1772 crisis, this affair was by far the most damaging financially and one of the slowest to resolve (Table 8). The insistence to pay creditors in full and avoid a bankruptcy at all costs prolonged what was already a difficult liquidation process, and in turn exacerbated individual partner losses as interest mounted. An anonymous 1782 pamphlet complained that the affairs of the bank were being dragged on for an insupportable length of time, thus compounding the partners’ costs, and pointedly wondered whether the delay might have been due to the ‘emoluments of office [and the] lucrative establishment’ awarded to the Committee and its Manager.\footnote{NAS GD224/178/6}{124}

Along with the monetary and business model criticisms found in the literature, one must attribute the magnitude of the disaster to a few decisions at the time of the crisis, with the annuity measure most prominent of all. The bank’s

\footnote{NAS CS44/132/64}{122} \footnote{Edinburgh Advertiser, 26 June 1772}{123} \footnote{NAS GD224/178/6}{124}
leadership may not have been particularly venal or incompetent as latter tradition would have them to be, but the way the company’s misfortunes multiplied after the 1772 crash certainly underlines its inexperience. It would have proved less painful to the partners had the terms of the Bank of England rescue been accepted in 1772, onerous as they may have appeared at the time. From the moment the annuity measure was resorted to, the bank entered a series of reflexive and costly actions to fend off recurring emergencies. Whether or not this was a necessary ‘awful object lesson’ in the virtues of specialised expertise over ‘capitalism by generalists’ that Scottish banking needed to learn, it had certainly proved a most expensive one.

\[\text{Brady, ‘So fast to ruin’ 27}\]
Table 1. Ayr Bank demographics according to occupation (top) and geographical location (bottom)

<table>
<thead>
<tr>
<th>Partners in 1772</th>
<th>Non-contributing in 1788</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Partners</td>
</tr>
<tr>
<td>Nobility</td>
<td>15</td>
</tr>
<tr>
<td>Landowners/unspec.</td>
<td>102</td>
</tr>
<tr>
<td>Military</td>
<td>11</td>
</tr>
<tr>
<td>Church &amp; Academic</td>
<td>6</td>
</tr>
<tr>
<td>Government</td>
<td>6</td>
</tr>
<tr>
<td>Ship captains</td>
<td>7</td>
</tr>
<tr>
<td>Legal professionals</td>
<td>32</td>
</tr>
<tr>
<td>Medical professionals</td>
<td>4</td>
</tr>
<tr>
<td>Merchants</td>
<td>54</td>
</tr>
<tr>
<td>Total (partners in 1772 only)</td>
<td>237</td>
</tr>
</tbody>
</table>

By region

<table>
<thead>
<tr>
<th>Region</th>
<th>Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southwest Scotland &amp; Glasgow</td>
<td>150</td>
</tr>
<tr>
<td>Southeast Scotland &amp; Edinburgh</td>
<td>47</td>
</tr>
<tr>
<td>Rest of Scotland</td>
<td>21</td>
</tr>
<tr>
<td>Outside Scotland</td>
<td>11</td>
</tr>
<tr>
<td>Not Specified/Ambiguous</td>
<td>23</td>
</tr>
<tr>
<td>Total (all partners 1769-72)</td>
<td>252</td>
</tr>
</tbody>
</table>

Note:

a includes Knights and Baronets with titles awarded before 1772
b includes all those with unspecified professions in the lists, or known to have possessed country estates
c stated military rank in 1769 or 1772
d includes those with stated professions in the lists, but who had or were to have noted governmental functions, e.g. Ilay Campbell, Lord Advocate 1783-9
e Writers, Writers to the Signet, and Advocates
f Physicians, Surgeons, and Druggists
g Dumfries-shire, Ayrshire, Kirkcudbrightshire, Renfrewshire, Wigtownshire, Lanarkshire, Dunbartonshire
h East & West Lothian, Midlothian, Berwickshire, Selkirkshire
i Argyll, Angus, Aberdeenshire, Perthshire, Fife, Stirlingshire
j London & rest of England, Ireland, Isle of Man

Sources: 1769 membership, SM XXXIV pp. 304-5; 1772 membership, NAS GD224/178/1/9; 1788 non-contributors, NAS GD224/178/8. Estate identification through Royal Commission of Ancient and Historical Monuments of Scotland (www.rcahms.gov.uk) and ScotlandsPlaces (www.scotlandsplaces.gov.uk)
Table 2. Ayr Bank balance sheet at the time of its stop of payments, 22 June 1772

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits 300,000</td>
<td>Cash &amp; Fixed Capital No Record</td>
</tr>
<tr>
<td>Banknotes in the circle (^a) 224,000</td>
<td>Debts at main branches 694,175</td>
</tr>
<tr>
<td>Drafts on London correspondents 600,000</td>
<td>(of which self-dealing 400,000)</td>
</tr>
<tr>
<td>Paid-up capital 104,413</td>
<td>Debts at agencies 133,788</td>
</tr>
<tr>
<td>&quot;Profit&quot; put in to make up balance 8,630</td>
<td>Bills on London 409,079</td>
</tr>
<tr>
<td></td>
<td>(of which dishonoured 180,000)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1,237,043</strong></td>
<td><strong>1,237,043</strong></td>
</tr>
</tbody>
</table>

Amounts in pounds sterling.

\(^a\) 1773 estimates (NAS GD224/178/2/22). The *Precipitation* (written in 1778) rounds this to £220,000

Source (unless otherwise noted): *Precipitation*, pp. 86-7
Table 3. Ayr Bank bills protested for non-acceptance in the hands of Hogg & Kinloch, London, and net position versus corresponding firms, August 1772. Arranged by date drawn (top) and corresponding firm (bottom).

<table>
<thead>
<tr>
<th>Date Drawn (1772)</th>
<th>Amount protested</th>
<th>Number of bills protested</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-Jun</td>
<td>250</td>
<td>1</td>
</tr>
<tr>
<td>20-Jun</td>
<td>3,100</td>
<td>6</td>
</tr>
<tr>
<td>22-Jun</td>
<td>2,500</td>
<td>7</td>
</tr>
<tr>
<td>23-Jun</td>
<td>1,800</td>
<td>5</td>
</tr>
<tr>
<td>25-Jun</td>
<td>2,000</td>
<td>6</td>
</tr>
<tr>
<td>26-Jun</td>
<td>600</td>
<td>2</td>
</tr>
<tr>
<td>27-Jun</td>
<td>1,300</td>
<td>4</td>
</tr>
<tr>
<td>07-Aug</td>
<td>2,600</td>
<td>5</td>
</tr>
<tr>
<td>08-Aug</td>
<td>6,600</td>
<td>17</td>
</tr>
<tr>
<td>10-Aug</td>
<td>600</td>
<td>3</td>
</tr>
<tr>
<td>12-Aug</td>
<td>2,000</td>
<td>6</td>
</tr>
<tr>
<td>14-Aug</td>
<td>2,000</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>25,350</td>
<td>68</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corresponding firm</th>
<th>Amount protested</th>
<th>Net debt position 13 August 1772</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dimsdale, Archer &amp; Byde (^a)</td>
<td>10,250</td>
<td>-</td>
</tr>
<tr>
<td>Sir George Colebrooke &amp; Co. (^b)</td>
<td>9,700</td>
<td>10,054</td>
</tr>
<tr>
<td>Boldero, Carter &amp; Co</td>
<td>5,400</td>
<td>15,248</td>
</tr>
<tr>
<td>Mayne &amp; Needham (^c)</td>
<td>unknown</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Amounts in pounds sterling. Net debt position: Ayr Bank owes to corresponding firm.

\(^a\) Regular correspondents to February 1771

\(^b\) Failed, March 1773

\(^c\) Main correspondents for the firm. Both were partners in the Ayr Bank, for one share each.

Sources: BOS 20/30/3 (Hogg & Kinloch bills); Precipitation, Appendix IX, p. 110 (net position)
Table 4. Ayr Bank annuities (top), and balance sheet, 12 August 1774, demonstrating final loss arising from the measure (bottom)

<table>
<thead>
<tr>
<th>Type of Annuity</th>
<th>Amount raised</th>
<th>Annuity granted</th>
<th>Simple Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redeemable on Two Lives</td>
<td>327,390</td>
<td>40,955</td>
<td>12.51%</td>
</tr>
<tr>
<td>Redeemable on One Life</td>
<td>113,475</td>
<td>16,215</td>
<td>14.29%</td>
</tr>
<tr>
<td>Irredeemable on One Life</td>
<td>10,035</td>
<td>1,070</td>
<td>10.66%</td>
</tr>
<tr>
<td>Total</td>
<td>450,900</td>
<td>58,240</td>
<td>12.92%</td>
</tr>
</tbody>
</table>

Amounts in pounds sterling.

Source: NAS GD224/178/2/10 (1773 estimates)

Alternative estimates in the primary record:

a. £450,000 raised
b. £430,000 raised, £55,600 annuity granted

(1773 estimates - NAS GD224/178/2/19)
(1774 estimates - NAS GD224/178/1/10)

(1780 estimates - BOS NAS945 20/30/3)
(1774 claims by Glover, *Substance of the evidence, pp. 67-8*)

d. £460,000 raised, £60,000 annuity granted

<table>
<thead>
<tr>
<th>Liabilities (pounds sterling)</th>
<th>Assets (pounds sterling)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debts in 1773 exclusive of annuities 368,855</td>
<td>Debts due to company in 1773 821,405</td>
</tr>
<tr>
<td>A year’s interest at 5% 18,442</td>
<td>A year’s interest at 5% 41,070</td>
</tr>
<tr>
<td>Transferrable bonds (securities) 500,000</td>
<td>Transferrable bonds (funds) 500,000</td>
</tr>
<tr>
<td>One year’s annuity interest 55,900</td>
<td>(Less annuities redeemed 432,840)</td>
</tr>
<tr>
<td>Half a year’s annuity as penalty 27,950</td>
<td><strong>Loss, exclusive of bad debts</strong> 49,310</td>
</tr>
<tr>
<td>Other costs connected to redemption 7,797</td>
<td></td>
</tr>
<tr>
<td><strong>978,946</strong></td>
<td><strong>978,946</strong></td>
</tr>
</tbody>
</table>

Source: BOS NAS945 20/30/3 (1780 estimates)
Table 5. The unwinding of the Ayr Bank, 1772-1816

<table>
<thead>
<tr>
<th>Year</th>
<th>Total assets</th>
<th>Annuities or bonds outstanding</th>
<th>Mortgages granted by debtors</th>
<th>Cumulative write-downs</th>
<th>Paid-in stock</th>
<th>Contributions</th>
<th>Solvent shares</th>
<th>Contributions per share</th>
<th>Total Loss (stock+contributions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1772</td>
<td>1,237,043</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1773</td>
<td>821,405</td>
<td>432,840</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1774</td>
<td>978,946</td>
<td>591,647</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1775</td>
<td>994,436</td>
<td>522,350</td>
<td>311,766</td>
<td>69,691</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1778</td>
<td>584,699</td>
<td>235,400</td>
<td>159,266</td>
<td>185,523</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1779</td>
<td>428,264</td>
<td>338,760</td>
<td>226,412</td>
<td>145,269</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1780</td>
<td>381,910</td>
<td>293,350</td>
<td>211,737</td>
<td>146,873</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1782</td>
<td>366,638</td>
<td>280,000</td>
<td>216,638</td>
<td>&gt;150,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1786</td>
<td>291,523</td>
<td>200,160</td>
<td>258,564</td>
<td>309,805</td>
<td></td>
<td></td>
<td></td>
<td>170-200</td>
<td></td>
</tr>
<tr>
<td>1788</td>
<td>256,112</td>
<td>156,922</td>
<td></td>
<td></td>
<td>343,200</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1793</td>
<td>21,766</td>
<td>650</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1804</td>
<td>8,940</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1806</td>
<td>42,366</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1816</td>
<td>37,671</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Amounts in pounds sterling. Derived and estimated figures in italics.

Notes:
- a 1788 estimates
- b 1791 estimates (NAS GD224/178/3, fo. 9)
- c 1778 estimates. £200 per share were called for in 1776
- d 1786 estimates (NAS GD224/178/8/8)
- e £900 19s (NAS GD224/178/5/4). £541 10s 9d levied in 1778
- f ‘Personal debts above £300,000 but valued only at £150,000’
- g George Home’s then current estimates
- h Paid-up account
- i Excludes £200 per share levied in 1776, which was included in stock account instead
- j 1873 estimates by Somers, probably incomplete
- k Includes £17,189 of ‘almost completely desperate debts’

Sources (unless otherwise noted): 1772, Precipitation p. 86-7; 1773-4, 1779, BOS NAS945 20/30/3; 1775, NAS GD224/178/3/27; 1778, NAS GD224/178/4/7&8 and NAS GD224/178/5/6; 1780, NAS GD224/178/2; 1782, NAS GD224/178/6; 1786, 1788, NAS GD224/178/8; 1793, NAS GD224/732/1/9; 1804, Somers, The Scotch Banks, p. 103; 1806, 1816, NAS GD267/20/18
Table 6. Ayr Bank bad debts sold by public roup, 1788.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3,000</td>
<td>150</td>
<td>5.01%</td>
<td>1</td>
<td>2,675</td>
<td>no bids</td>
<td></td>
<td>1</td>
<td>3,782</td>
<td>no bids</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>3,853</td>
<td>no bids</td>
<td></td>
<td>2</td>
<td>2,684</td>
<td>no bids</td>
<td></td>
<td>2</td>
<td>2,263</td>
<td>104</td>
<td>4.62%</td>
</tr>
<tr>
<td>3</td>
<td>2,396</td>
<td>723</td>
<td>30.21%</td>
<td>3</td>
<td>3,910</td>
<td>no bids</td>
<td></td>
<td>3</td>
<td>3,113</td>
<td>60</td>
<td>1.94%</td>
</tr>
<tr>
<td>4</td>
<td>4,813</td>
<td>no bids</td>
<td></td>
<td>4</td>
<td>5,781</td>
<td>no bids</td>
<td></td>
<td>4</td>
<td>2,766</td>
<td>100</td>
<td>3.63%</td>
</tr>
<tr>
<td>5</td>
<td>7,229</td>
<td>360</td>
<td>4.99%</td>
<td>5</td>
<td>8,951</td>
<td>355</td>
<td>3.97%</td>
<td>5</td>
<td>2,134</td>
<td>no bids</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>1,895</td>
<td>90</td>
<td>4.78%</td>
<td>6</td>
<td>1,768</td>
<td>150</td>
<td>8.52%</td>
<td>6</td>
<td>12,341</td>
<td>no bids</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>2,777</td>
<td>700</td>
<td>25.24%</td>
<td>7</td>
<td>1,984</td>
<td>50</td>
<td>2.53%</td>
<td>7</td>
<td>3,364</td>
<td>200</td>
<td>5.97%</td>
</tr>
<tr>
<td>8</td>
<td>948</td>
<td>no bids</td>
<td></td>
<td>8</td>
<td>2,556</td>
<td>75</td>
<td>2.96%</td>
<td>8</td>
<td>2,547</td>
<td>no bids</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>1,680</td>
<td>115</td>
<td>6.85%</td>
<td>9</td>
<td>2,766</td>
<td>no bids</td>
<td></td>
<td>9</td>
<td>1,116</td>
<td>no bids</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>1,817</td>
<td>170</td>
<td>9.40%</td>
<td>10</td>
<td>3,604</td>
<td>365</td>
<td>10.15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>1,634</td>
<td>no bids</td>
<td></td>
<td>11</td>
<td>1,634</td>
<td>no bids</td>
<td></td>
<td>11</td>
<td>1,634</td>
<td>no bids</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>2,812</td>
<td>200</td>
<td>7.15%</td>
<td>12</td>
<td>2,812</td>
<td>200</td>
<td>7.15%</td>
<td>12</td>
<td>2,812</td>
<td>200</td>
<td>7.15%</td>
</tr>
<tr>
<td>13</td>
<td>3,288</td>
<td>no bids</td>
<td></td>
<td>13</td>
<td>3,288</td>
<td>no bids</td>
<td></td>
<td>13</td>
<td>3,288</td>
<td>no bids</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>8,437</td>
<td>no bids</td>
<td></td>
<td>14</td>
<td>8,437</td>
<td>no bids</td>
<td></td>
<td>14</td>
<td>8,437</td>
<td>no bids</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>2,289</td>
<td>150</td>
<td>6.56%</td>
<td>15</td>
<td>2,289</td>
<td>150</td>
<td>6.56%</td>
<td>15</td>
<td>2,289</td>
<td>150</td>
<td>6.56%</td>
</tr>
<tr>
<td>16</td>
<td>1,893</td>
<td>no bids</td>
<td></td>
<td>16</td>
<td>1,893</td>
<td>no bids</td>
<td></td>
<td>16</td>
<td>1,893</td>
<td>no bids</td>
<td></td>
</tr>
</tbody>
</table>

Total 30,414 2,308 Total 57,040 1,345 Total 33,430 464

Amounts in pounds sterling.

Source: NAS GD224/732/1/2&6, GD224/178/8, GD288/220
Table 7. Schedule of capital calls, contributions, and dividends for the Ayr Bank, 1769-1817

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount per share (pounds sterling)</th>
<th>Corporate Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1769</td>
<td>100</td>
<td>1st Call</td>
</tr>
<tr>
<td>1770</td>
<td>50</td>
<td>2nd Call</td>
</tr>
<tr>
<td>02-Apr</td>
<td>50</td>
<td>3rd Call</td>
</tr>
<tr>
<td>15-Aug</td>
<td>50</td>
<td>4th Call</td>
</tr>
<tr>
<td>01-Dec</td>
<td>50</td>
<td>5th Call</td>
</tr>
<tr>
<td>1771</td>
<td>50</td>
<td>6th Call</td>
</tr>
<tr>
<td>01-Nov</td>
<td>50</td>
<td>7th Call</td>
</tr>
<tr>
<td>1772</td>
<td>100</td>
<td>Final Call</td>
</tr>
<tr>
<td>1776</td>
<td>200</td>
<td>1st Contribution</td>
</tr>
<tr>
<td>1778</td>
<td>541.5£</td>
<td>2nd Contribution</td>
</tr>
<tr>
<td>1788</td>
<td>1,658.5£</td>
<td>3rd Contribution</td>
</tr>
<tr>
<td>1788-1807</td>
<td>Unknown</td>
<td>Contributions &amp; Dividends?</td>
</tr>
<tr>
<td>1807</td>
<td>60</td>
<td>Dividend</td>
</tr>
<tr>
<td>1811</td>
<td>18</td>
<td>Dividend</td>
</tr>
<tr>
<td>1816</td>
<td>20</td>
<td>Dividend</td>
</tr>
<tr>
<td>1817</td>
<td>10</td>
<td>Dividend (proposed)</td>
</tr>
<tr>
<td>1827</td>
<td>25</td>
<td>Dividend (projected)</td>
</tr>
</tbody>
</table>

\( ^a \) Subscribed capital

\( ^b \) Figure usually identified in the literature as ‘total loss per share’

\( ^c \) Exact amount: £541 10s 4d

\( ^d \) Exact amount: £1,658 9s 8d

Sources: NAS GD224/178/2/13 (calls 1-7); GD224/178/2/25, GD224/178/4/3 (final call); Decisions of the Court of Session 1778-81, XXXIV, p. 57 (1776 contribution); GD224/178/5/4 (1778 contribution); GD224/178/8 (1788 contribution); GD267/20/28 (post-1793 dividends)
Table 8. Comparison of major failures from the crisis of 1772

<table>
<thead>
<tr>
<th>Debtor</th>
<th>Debts (£)</th>
<th>Recovery</th>
<th>Year Resolved</th>
<th>Form of resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neale, James, Fordyce &amp; Down</td>
<td>146,402</td>
<td>72.5%</td>
<td>1794</td>
<td>bankruptcy dividends</td>
</tr>
<tr>
<td>John Daniel &amp; Maurice Dreyer</td>
<td>172,904</td>
<td>2.5%</td>
<td>1776</td>
<td>bankruptcy dividends</td>
</tr>
<tr>
<td>Johnston &amp; Smith</td>
<td>unknown</td>
<td>75%</td>
<td>unknown</td>
<td>unknown</td>
</tr>
<tr>
<td>Charles Ferguson &amp; Co</td>
<td>unknown</td>
<td>25%</td>
<td>1772</td>
<td>composition</td>
</tr>
<tr>
<td>John Fordyce (all debts)</td>
<td>&gt;240,000</td>
<td>32.5%</td>
<td>1772</td>
<td>composition</td>
</tr>
<tr>
<td>Francis Garbett &amp; Co.</td>
<td>&gt;150,000</td>
<td>95%</td>
<td>1827</td>
<td>bankruptcy dividends</td>
</tr>
<tr>
<td>Douglas, Heron &amp; Co.</td>
<td>500,000</td>
<td>100%</td>
<td>1793</td>
<td>winding up</td>
</tr>
</tbody>
</table>

a Proven debts accepted by the commission of bankruptcy on the joint estate only.
b 62.5% was recovered by March 1777

c Includes personal debts, as well as those by Fordyce, Grant & Co and Fordyce, Malcolm & Co.
d Letter to the Partners of Mess. Douglas, Heron, and Company by ‘A Partner’, p. 10, appended to the Precipitation
e Transferrable bonds issued under Act of Parliament, 1774
f Final bond repayment

Sources (except noted above): Row 1, TNA B 3/3675-6; Row 2, Barclays Bank Archives 9/87; Row 3, Saville, Bank of Scotland, p. 181; Rows 4-5, Precipitation, Appendix X, pp. 116-23; Row 6, NAS CS44/132/64