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The Trials of Whitaker Wright

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Whitaker Wright was the high-media-profile unacceptable face of corporate finance of one hundred years ago. He died at about 3.30 on the afternoon of Australia Day, Tuesday 26 January 1904 in a “consultation room” below the Royal Courts of Justice on the Strand in London. The coincidence of Australia Day was perhaps apt since Australian gold-mining ventures had played a key role both in Wright’s period of financial success and in his dramatic fall from grace. Half an hour before his death Wright had been sentenced to seven years imprisonment, following the verdict of a special jury on charges concerning his actions while managing director of the London and Globe Financial Corporation prior to its spectacular “failure” on Friday 28 December 1900. On Thursday 28 January 1904 the jury at Whitaker Wright’s inquest, having heard the evidence from the post-mortem, immediately (without retiring) brought in a verdict of suicide. Thus ended Whitaker Wright’s last trial. The inquest verdict is hard to question. There was post-mortem evidence of cyanide of potassium having been taken. A search of Whitaker Wright’s body also revealed a “six-chambered revolver fully loaded and cocked” in his right hand hip-pocket, which he had apparently carried on his person during his final day in court. The climactic trial of January 11 to January 26 1904 was the culmination of a series of court appearances and judicial processes triggered by the London and Globe collapse of 28 December 1900. Taken as a whole this series of “trials” and the evidence presented at them provides a wealth of information about contemporary thinking concerning the mechanisms of company promotion and stock-market practices in the years surrounding the turn of the last century.

Introduction

Who was Whitaker Wright? His name became prominent in England during the 1890s as a specialist in the promotion and financing of mining companies, these typically having their focus of operations (or planned operations) in parts of the British Empire distant from London. The peak period of his financial success can probably be regarded as 1895-1897, and was focussed on companies with gold-mining interests in the Coolgardie-Kalgoorlie area of Western Australia. Some of these gold-mining floats were companies which did not prosper, some were companies which did prosper. By 1897 there were enough of the latter to make Wright a "star" of London financial markets. Lake View Consols was undoubtedly his single greatest success. Those "investors" in mining companies who bought into that float at £1 (par value) and saw the price go in a few months above £10 and then later beyond £20, might be expected to have developed an admiration for Wright's talents, and a willingness to buy into his subsequent promotions. Lake View Consols, it should be stressed, was no sham. It produced large amounts of gold, and paid good dividends – a cumulative total of £1.3 million by the end of 1899 on a share-capital whose total nominal (or par) value was £250,000. The Viceroy of India, Lord Dufferin, upon retiring from his vice-regal duties, became chairman of two of the three "flagship" Wright companies. These co-operated closely in spotting and nurturing mining prospects, in floating new "operating" companies to take independent responsibility for the "adolescent" mines, and in engaging in certain financial-market activities which will be examined further in the body of this paper. Lord Loch, an ex-governor of the then colony of Victoria in Australia, and a director of both a leading British bank and a "blue-chip" British railway company, was also a director of key Whitaker Wright companies. By late 1897 – early 1898, Wright's public image in British financial market circles was almost entirely positive, and very brightly so.

Yet in less than six years, in January 1904, Wright was sentenced to seven years imprisonment for company fraud offences, took cyanide within an hour of having been sentenced, and died immediately afterwards. Wright is covered in the various histories of high-level company fraud and white-collar crime in late Victorian and Edwardian England. There he appears alongside Jabez Balfour, E.T. Hooley, Horatio Bottomley et.al. But in those accounts Wright is usually described as having been in a different category from the others – somehow either less guilty or guilty of lesser crimes. The fact that none of Wright's "peers" in late Victorian-early Edwardian corporate crime have entries in the British Dictionary of National Biography [DNB], whereas Wright does, seems to suggest additional support for his separateness.

When one asks the question how it was that Wright went from the status he held in British society in late 1897/early 1898 to the status he held in January 1904, it seems very difficult to obtain a satisfactory answer based on what has up-until-now been published on Wright. The standard sources all seem to draw very heavily from the DNB entry, which in turn draws heavily from the Times reports of the January 1904 trial. The Times court reporter's phonetic spelling "Le Roy": for "Le Roi" in the name of several Whitaker Wright companies has remained uncorrected in a surprising number of subsequent accounts of Wright's business career/corporate crimes. (See, for example the entry on Wright in the Dictionary of Business Biography.)

When one sets about investigating this question of Wright's fall from grace further, it becomes clear that the information revealed in the January 1904 trial does not provide the full picture. There was an important earlier trial, in June 1902. When that trial is factored into the picture, a certain analogy between Wright and Oscar Wilde seems to suggest itself. The trial which led to Wilde's "disgrace" and imprisonment followed upon a civil action in which he had been the plaintiff. But that first trial exposed some

of the evidence (and generated significant adverse publicity for him) which then led directly to the second Wilde trial. An equivalent sequence happened with Wright. The June 1902 trial was pressed forward at his initiative and, if successful, might have been expected by him to "clear" his name. Instead, the action failed and backfired against him. In the biographies of Oscar Wilde, you will read that Wilde's friends urged him to exit the country while the opportunity was available between the end of the first trial and the (then inevitable) triggering of the second. But Wilde dithered and the time ran out. In Wright's case he did exit the country before his "second" trial was triggered. But because he had delayed until so late in the piece, he got only as far as New York before being arrested. If he had got beyond New York to any other state in the United States, he would probably have been safe from being extradited to Britain. He appears to have been headed for Philadelphia, the home of his sister, and the city in which he had spent many of the middle years of his life. The fact that Wright had left Britain immediately before the writ for his arrest was issued did however create further adverse publicity for him there. During the period he was resisting extradition, British observers reading the newspaper coverage of the proceedings might be expected to have started thinking of Wright as being "bracketed" with Jabez Balfour, who spent much of 1894 (check) contesting his extradition to Britain from Argentina, before being sentenced to imprisonment for his role in the Liberator Building Society frauds.

The focus of this paper is the question of how Whitaker Wright fell from being in such a high position in British society/public opinion to being so low, in such a short space of time. The existing literature does not seem to provide an adequate account/explanation of this. This paper is divided into four main sections. Section 1 describes the events surrounding the collapse of Whitaker Wright's flagship companies in December 1900 in terms of the information available to observers at the time. Section 2 explains and discusses exactly what Wright was convicted of in the climactic January 1904 trial.

Section 3 discusses the significance of the June 1902 trial. Section 4 gives a brief account of the principal steps between the June 1902 trial and the January 1904 trial. The paper ends with a concluding comments section (which had not been written at the time of "finalizing" Version II of this paper. Those concluding comments, together with the part of section 4 not included in this version, will be presented orally at the HETSA Conference.)

1. The Events Visible at the Time

In 1899, the London and Globe Finance Corporation's annual accounts were "made-up" with a balance sheet as at 30 September. The previous year it had been 10 September this being the company's first set of "annual" accounts, it having been formed in March 1897. The 1899 company report to shareholders was dated 16 October and the annual general meeting was held on 24 October. The London and Globe reported that as at 30 September 1899 it had a balance to the credit of its profit and loss account of £504,497. A dividend of 10 per cent was proposed on the company's two million £1 par value ordinary shares (its only class of "capital"). The company's chairman, Lord Dufferin, in his speech to the A.G.M. having cited the size of the profit and loss account balance stated: "Were we, therefore, so imprudent as to divide our profits to the extreme limit, it would be possible for us to declare a dividend of 25 per cent. We have, however, adopted a sounder and more cautious policy ...". He went on to say it was proposed to limit future dividends to 10 per cent per annum and proceeded: "It is true this policy may somewhat eliminate the speculative element affecting your shares; but that is a circumstance that will not be unfavourably regarded by the genuine investor, who will be only too glad to welcome a 10 per cent security, the permanency of which he will recognize as being better assured than, perhaps, most investments in the mining market". (as quoted by Horace Avory KC in his opening address 24 August 1903, and reported in Times 25 August 1903).

In 1900, the London and Globe's annual accounts were not "made-up" until two months further into the year, with a balance sheet as at 5 December. These accounts were signed-off by the company's auditors on Friday 14 December. The 1900 company report to shareholders was dated 15 December (check) and the annual general meeting was held on Monday 17 December. There had been some disquiet about the two month

delay in making up the year's accounts. But a Financial Times editorial on 10 November had been reassuring to those of its readers writing letters of concern: "Possibly there is good reason for the delay. At any rate it is not at present a heinous fault. What a time these writers' cooks must have if their dinners are even half an hour late!" (F.T., Sat 10 November 1900, p.4).

The report which London and Globe shareholders received shortly before the 17 December 1900 annual general meeting indicated a profit for the period between 30 September 1899 and 5 December 1900 of £463,672. The biggest item in the asset side of the balance sheet as at 5 December 1900 was "shares in sundry companies" valued at £2,332,632. Total assets were put at roughly £2.7 million, and the sum of debt liabilities to loans and sundry creditors at £572,314. At the meeting Lord Dufferin stated that the figure for the "shares in sundry companies" was after the company had written off "over a million for depreciation". Whitaker Wright himself told the meeting that "the assets were written down as low as they could possibly make them". Despite this healthy situation no dividend was declared. On the same day that the London and Globe annual general meeting was held a key Whitaker Wright company, Lake View Consols (more on which later) experienced a heavy fall on the London Stock Exchange, being "banged down" by about £3 from the around £15 level they had been at since the 10 December "carry-over" day. The Financial Times "Mining Markets" column described the Lake Views fall as "a sensation" and stated that the events "appear to be more or less associated with the London and Globe meeting" (F.T., Tuesday 18 December 1900, p.7). But the next day's Financial Times editorial was again reassuring: "... there was nothing in the Globe position to warrant the attack on Lake View On Saturday we advised all holders [of Lake View Consols] to continue holding we decidedly repeat the advice to holders not to sell" (F.T., Wednesday 19 December 1900, p.6).

Friday 28 December 1900 was set down as "pay-day" on the London Stock Exchange for those share purchase and sale contracts which had not been subject to "carry-over" agreements made on (or before) "carry-over" or "contango" day. For shares in mining companies contango day was Friday 21 December, for other companies it was Monday 24 December. Moving contango day for miners to Friday to ease the congestion burden of pre-Christmas administrative work, combined with the Christmas Day and Boxing Day holidays, created an unusually long gap between carry-over day and "pay day" for mining company shares. The Financial Times "Mining Markets" report written on the eve of payday noted that Lake View Consols had risen to 13 and stated "Tomorrow's Settlement business in these shares is awaited with interest, a large take-up being expected" (F.T. Friday 28 December 1900, p.3). The London Stock Exchange did not publish figures for volumes of contracts to buy/sell shares "open" at any particular point during a fortnightly settlement. But word-of-mouth among those Stock Exchange operators specializing in particular shares could be expected to provide some information as to that volume, and as to how much had been subject to carry-over agreements to the next fortnight, and how much would require take-up/delivery and associated payment on "pay day".

The Financial Times "Mining Markets" report written on the evening of "pay-day" was headlined: "Severe Slump in Lake View: Threatened Collapse of the Globe and Standard Companies: other heavy relapses" (F.T. Saturday 29 December 1900, p.7). Trading on the Stock Exchange in Lake View Consols closed for the day at a price of $8\frac{7}{16}$, down by $4\frac{9}{16}$ on the preceding day's close. This was the result of the London and Globe not being able to pay in cash for Lake View shares it was due to take delivery for on that day. Stock Exchange jobbers who had contracted to take delivery of Lake View Consols from other parties in order to fulfil their contracts to make delivery to the London and Globe on pay-day found themselves facing difficulties. After the Stock

Exchange closed on Friday 28 December, those who had accepted London and Globe's cheques during the day found that the London and Globe's bankers would not pay on them. The Financial Times reported: "It is feared that the catastrophe will cause many market failures" (loc.cit.). On the same day that these events were unfolding, another Whitaker Wright company was holding its annual general meeting at Winchester House in Old Broad Street. The Chairman of Le Roi Mining was Lord Dufferin. He sent apologies for his absence and Whitaker Wright presided in his place, stating: "I have been requested to preside at this meeting at the last moment, and I have not had time even to make any notes. I shall have to talk to you extemporaneously" (F.T. Saturday 29 December 1900, p.3). This he appears to have done to the satisfaction of the Le Roi shareholders present.

On Saturday 29 December 1900, thirteen London Stock Exchange firms (involving 29 Stock Exchange members) were formally "hammered" by the Exchange to signify that they were in default of their obligations to other market participants. First on the list was the firm of "Haggard, Hale and Pixley" which had been very closely associated with Whitaker Wright and the various companies he controlled and promoted since at least 1895. But many on the list of those hammered on 29 December appear to have had no association with Whitaker Wright and his companies other than as counter-parties in normal stock exchange share-dealing contracts or as counter-parties to persons themselves put into difficulties by the London and Globe's default, and hence finding themselves in the line of falling dominoes. The Financial Times "Mining Markets" column of Monday December 31 reported: "Deep sympathy is felt for those [Stock Exchange members] who have thus been forced into trouble, several of whom are brokers of high standing ... It is feared that there are yet more failures to come ... Consequently business in the Westralian and Columbian markets has been nearly paralyzed, there being a fear to deal in view of transactions becoming abortive through

further failures". During its next three business days (Monday 31 December 1900, Wednesday 2 January 1901 and Thursday 3 January) the London Stock Exchange formally "hammered" a further seven members, taking the full toll from the London and Globe default to 36. A full list is provided as Appendix A.

At the beginning of the week that commenced Monday 31 December 1900 the directors of the London and Globe sent a circular to their shareholders calling an extraordinary general meeting for Wednesday 9 January 1901 at which voluntary liquidation of the company would be recommended to allow a reconstruction to be organized with Whitaker Wright to continue at the helm. The circular stated that "if the creditors and shareholders stand by the directors in the present emergency, neither are likely to suffer any ultimate loss" (reported in F.T. Tuesday 1 January 1901, p.6). On Saturday 5 January 1901 a meeting of the London and Globe's stock exchange creditors was held at which resolutions in support of the proposed reconstruction scheme were supported. But as some of those stock exchange creditors were by now in default themselves, and therefore unable to "speak" without consent from their own creditors, the situation remained fluid. Discussions continued between the London and Globe directors and the company's creditors, between those of the company's creditors in difficulties and their own creditors, and among Stock Exchange members seeking to ameliorate the disrupted share-trading conditions on the market – particularly on the market for Westralian mining shares (F.T. 3 January to 9 January 1901, various pages).

The London and Globe's extraordinary general meeting which commenced on 9 January 1901 was marked by what the Financial Times described as a "rather surprising spirit of harmony" (F.T. editorial 10 January 1901, p.2). Whitaker Wright told the meeting that arrangements were being made that would allow the company's creditors to be paid in full, and that this day's meeting should be adjourned to Monday 14 January when a

scheme for reconstruction would be considered. A shareholder "Mr Seal" could not get a seconder for a motion to move the company towards compulsory liquidation by an external liquidator. Mr Arnold White could not get support to add to the company's directorate a new person who "understands the whole of the business" – despite Lord Dufferin having told the meeting that this he did not. The Financial Times editorial of Thursday 10 January 1901 was very supportive of the Whitaker Wright/Lord Dufferin position.

On the morning of the day that the London and Globe's adjourned extraordinary general meeting was to be held, it was reported that the London and Globe's creditors had been offered a "composition" of ten shillings in the pound (i.e. a fifty per cent write-off of the company's liabilities to them), and that this had been rejected. The creditors (and perhaps more importantly the creditors of those creditors themselves in default) were apparently unimpressed by the offer of a fifty per cent write-off when, on only the preceding Wednesday Whitaker Wright and the other directors of the London and Globe had told shareholders that creditors would be paid in full (albeit with delays) (F.T Monday 14 January 1901, p.3). Discussions with, and among, the creditors (and creditors of creditors) appear to have continued, however. Voting at the London and Globe's adjourned extraordinary general meeting seems to have been influenced by optimism that with a composition along these lines, and a sale of some of the company's "non-core assets" (notably its interest in the Bakerloo underground railway line then under construction), it would be possible to "reconstruct" the London and Globe with only a "moderate" injection of new equity capital by shareholders, thus allowing the reconstructed London and Globe to continue to conduct the "core" business of the old. The Financial Times editorial of Tuesday 15 January 1901 (p.4) was headlined "Not Quite Off The Rocks", and stated that the meeting: "resulted in almost unanimous resolution to wind-up and reconstruct, but contributed little to knowledge of the

situation". Whitaker Wright himself seconded the motion to appoint George Cloutte and Charles G.Ford as liquidators. The meeting was supportive of Whitaker Wright not making public a list of the shares in other companies held by the London and Globe and forming the dominant asset item on its balance sheet. Having successfully chaired the meeting through its agenda, Lord Dufferin then announced his retirement from the company's board. The applause and cheers this announcement received do not appear to have been derisory (F.T. 15 January 1901, p.5).

It was two days after Whitaker Wright and his fellow directors succeeded in obtaining this show of support from the London and Globe's shareholders that the first Court hearing took place in the sequence of litigation that was to lead to Wright being sentenced to seven years imprisonment just over three years later, on 26 January 1904. Sidney Falconer, one of the London and Globe's Stock Exchange creditors, had lodged a petition for the compulsory liquidation of the company, so that the process would be taken away from the Directors "who are responsible for the disaster" (see his letter to the F.T. published 8 January 1901, p.2). On Wednesday 17 January 1901, the Companies Winding-Up Court commenced its hearing of Falconer's petition, together with a similar one lodged by the Stock Exchange firm Stoneham and Messenger. Falconer was represented by Rufus Isaacs. The London and Globe's voluntarily appointed liquidators opposed the two petitions and were represented by Sir Edward Clarke. Parallel processes of litigation had been commenced concerning whether the London and Globe's two closely-associated sister-companies (Standard Exploration Company, Ltd and British America Corporation Limited) of which Whitaker Wright was also managing director, should be subject to voluntary wind-up and reconstruction under their pre-existing managements, or made subject to compulsory liquidation under the control of a Court-appointed official receiver. Eventually all three companies were made subject to compulsory liquidation, the London and Globe itself on 30 October

1901 – after Official Receiver's reports on the two sister-companies had been made public in mid-August (see F.T. 17 August 1901, p.3; and 23 August 1901, p.3). On the same day that the Official Receiver's report on Standard Exploration was published, Whitaker Wright announced his resignation from the board of Le Roi Mining. Lord Dufferin had resigned from that board on 2 July 1901 and the other Whitaker Wright directors resigned at the company's annual general meeting on 29 August, signalling a full change of control of that company.

Whitaker Wright did not relinquish control of Le Roi Mining without a struggle. Those seeking to sway shareholder confidence away from the Wright directorate criticized Wright's record in the activities of his group of companies as a whole. As in the previous year the Financial Times was supportive of Wright. Its editorial of 28 August argued "The manipulation of a market ... is so common it is regarded as a venial offence" (p.2). But the information revealed by the official liquidators investigations of Standard Exploration and British America Corporation seems to have weakened confidence in Wright. When Justice Wright ordered compulsory liquidation of the London and Globe in October 1901, it was "owing to serious allegations of fraud in its management" (New York Times, Monday March 16, 1903, p.2 – this being the New York Times summary story following Wright's arrest on the liner *La Lorraine* in New York harbour on the preceding day).

2. What Whitaker Wright was convicted of

Reading the above summary of the events visible to "outside" observers of the London and Globe's default on its obligations to settle on its stock exchange share purchasing transactions on 28 December 1900, two questions stand out which one might expect such observers to have raised. Firstly, if the London and Globe's total debt liabilities on

5 December 1900 had been £572,314 (comprising loans of £434,868 and "sundry creditors" £137,446), how did the company come to be liable to make payments of some £1.6 million on 28 December, to persons who might reasonably be described as "sundry creditors"? And secondly, if the London and Globe had holdings of shares in sundry companies worth £2,332,632 on 5 December 1900, why was there any doubt that the company would be able to pay off its creditors in full of the nature that might induce the creditors to accept ten shillings (or so) in the pound and write off the remainder?

The prosecution case in Whitaker Wright's January 1904 trial (the "commencement" of which could be viewed as the direction to prosecute issued by Justice Buckley on 10 March 1903) was that the answer to the first question was that the £1.6 million liability of the London and Globe on its stock exchange purchasing transactions had already existed at 5 December 1900, but had been concealed in order to deceive and defraud the London and Globe's shareholders and/or creditors. On the second question, the prosecution's case was that the value of £2,332,632 placed on the London and Globe's holdings of shares in other companies, in its 5 December 1900 balance sheet, was grossly exaggerated and that this had been done in order to deceive and defraud the London and Globe's shareholders and/or creditors. As a corollary to this alleged overstatement of the value of the company's assets in its 5 December balance sheet, the prosecution alleged that the London and Globe's profit/loss performance over the "year" covered by its 1900 accounts was not the healthy profit reported but in reality a very large loss. Moreover the prosecution alleged that the London and Globe's period of making substantial and cumulative operating losses so as to render it insolvent at least two months before its December 1900 annual general meeting, had commenced prior to the holding of the company's 1899 annual general meeting – so that the information presented at that 1899 meeting had been untrue in ways designed to deceive and defraud

the London and Globe's shareholders and/or creditors. In all of these allegations, the prosecution argued that it was Whitaker Wright who was responsible for all significant actions and reporting carried out by the three closely related companies: the London and Globe, Standard Exploration and British America Corporation.

As will be discussed shortly, the prosecution was on much stronger ground in alleging deceit in the London and Globe's December 1900 accounts (and report to shareholders) than in the company's 1899 accounts and associated reports. But it was important to the prosecution case to go further than the London and Globe's December 1900 accounts and reports. If the totality of the case had been that by the time the London and Globe's meeting of 17 December 1900 was over, a false impression of the company's situation had been created with intent to defraud, one would imagine that there would have been an onus on the prosecution to present evidence that persons had been induced by that information to act after that date in ways that caused them detriment. If the London and Globe's various liabilities towards Stock Exchange members had already been in place on or before 17 December 1900 it would have been difficult for the prosecution to present credible evidence that those parties had been caused detriment by that false information. Given the limited number of Stock Exchange trading days between Monday 17 December and Friday 28 December 1900, it may have been difficult for the prosecution to present credible evidence of substantial detriment to persons buying, selling, or simply holding London and Globe shares during that period, on the basis of that false information. Thus, although the prosecution's case in respect of the London and Globe's 1900 accounts and reports is hard to view as anything other than conclusive evidence of intent to deceive, it is in all probability the much less conclusive evidence regarding the 1899 accounts and reports which were decisive in the sentencing of Wright to seven years imprisonment, and his suicide in the immediate wake of that.

(a) The London and Globe's 1900 accounts and reports.

The prosecution case re. the "omission" of the £1.6 million liability re. the London and Globe's Stock Exchange purchase transactions from the company's published 1900 balance sheet and reports was reasonably straightforward. The London and Globe's own accounts showed that at 29 November 1900 it had on its hands an accumulated total of contracts-to-buy Lake View Consols involving a liability to pay £1,603,000 (Isaacs opening address, reported in Times 12 January 1904, p.X). Those accounts show that on 29 November 1900 this set of contracts to buy was transferred to the London and Globe's sister company Standard Exploration. Although the accounts stated that this transaction occurred on 29 November, the actual number of Lake View shares over which the outstanding contracts-to-buy were transferred was the number that the London and Globe had accumulated by the evening of 5 December (i.e. balance sheet day) not the somewhat smaller number outstanding as at 29 November. When the London and Globe's auditors insisted on seeing minutes of Board meetings of the two companies approving this £1.6 million transfer, it was arranged for "appropriate" minutes to be drawn up for each company and each signed by two directors of the relevant company. Whitaker Wright dictated each set of minutes to a secretary. This occurred on December 13, allowing the successfully audited London and Globe balance sheet to be issued on 15 December for the meeting on 17 December. The stock exchange firms with whom the London and Globe had made the various contracts-to-buy Lake View consols were not consulted about this transfer of the contracts to Standard Exploration. Witnesses from those stock exchange firms gave evidence to that effect, and stated that they had no knowledge that the London and Globe had purported to make such transfers. By the time the relevant stock exchange firms sought payment

on the contracts on 28 December 1900, the contracts had been transferred back to the London and Globe – so that even at that time those stock exchange firms were probably unaware that the London and Globe had purported to divest itself of its liabilities towards them. It is not clear from the evidence presented at the trial exactly when the transfer-back was supposed to have occurred. The transfer was recorded in Standard Exploration's accounts under the date 13 December, but in the London and Globe's accounts on 29 December. The prosecution case was that the whole transfer and transfer-back of the £1.6 million liability was a sham, and that the substance of the situation was that what was in reality £1.6 million of London and Globe liabilities was omitted from the company's 1900 accounts and reports with intent to deceive and defraud the company's shareholders and/or creditors.

Turning to the inter-related issues of the London and Globe's profit/loss performance over the "year" covered by its 1900 accounts, and the value of the company's portfolio of shares in other companies held at the close of that "year" (i.e. 5 December 1900), the prosecution case involved much greater complexities. On the third day of the trial, Arthur Russell, the senior examiner in the department of the Official Receiver in Companies in Liquidation (who had had charge of the liquidations of both the London and Globe and Standard Exploration) gave evidence that he had used the London and Globe's books of account to deduce what the company's "state of things would have been if the account in 1900 had been made up to September 30 instead of December 5" (Times, 14 January 1904, p.X). He said that this indicated that the London and Globe had made a loss of £1,440,000 on share transactions and company promotions during the twelve months to September 30. The prosecution argued that this loss of £1.4 million was converted into seeming profit of £463,000 between September 30 and December 5 1900 by a combination of contrived transactions involving other Whitaker Wright-controlled companies, and over-valuations of certain London and Globe assets

on which it should have been recognized that significant "depreciation" had occurred. By making statements in the London and Globe's report and at its meeting indicating the appropriate "depreciation" had been allowed for in the 1900 balance sheet, when in reality it had not, Whitaker Wright had – according to the prosecution – sought to deceive and defraud the company's shareholders and creditors.

The various contrived transactions with other Wright-controlled companies were all inherently fairly complex. Perhaps the easiest set to explain was also that which was the "biggest-ticket" set in terms of its impact on the London and Globe's profit/loss for the "year". It involved three London-registered companies with interests in gold-mining in Victoria, Australia. To be more precise it involved taking one Wright-controlled company with such interests (Victorian Gold Estates, registered 25 July 1896) and converting its business into two new companies (Loddon Valley Goldfields Ltd, registered 24 November 1900; and Moorlort Goldfields Ltd, registered 1 December 1900). Victorian Gold Estates made an agreement on 23 November 1900 to sell part of its property to Loddon Valley for £750,000, and sold the rest of its property to Moorlort on 1 December 1900 for £700,000. In both cases the "consideration" paid by the new companies was predominantly in the form of shares in themselves. In essence Victorian Gold Estates shares with an aggregate par value of £350,000 were transformed into shares in the two new companies with a combined aggregate par value of £1,450,000. At the time this transformation took place, the London and Globe held 200,000 of the 350,000 one pound Victorian Gold Estates shares on issue. On 26 November 1900 Victorian Gold Estates were selling in the market at 1¼, i.e. at a 25 per cent premium above their par value. The 200,000 Victorian Gold Estates shares were valued in the London and Globe's books before the transformation at par. When they were transformed into shares in the two successor companies the book value was "written-up" to reflect the par value of the Loddon Valley and Moorlort shares. The increment was

simultaneously credited to the year's operating profit as a gain from "securities realized". This was worth £564,000 to the London and Globe's profit and loss account for the "year" to 5 December 1900.

There was a further feature of this set of transactions in "Victorians" that the prosecution sought to stress. Of the London and Globe's holding of 200,000 Victorian Gold Estates shares from which it derived benefit through the transformation, only 40,000 were shares which the London and Globe had itself held at the beginning of November 1900. A further 35,000 it purchased from Standard Exploration. The majority (125,000) it received from British America Corporation as a result of the latter company seeking to reverse a payment of £250,000 which London and Globe had made to British America in November 1899. On 4 December 1900 the London and Globe's solicitor Mr Burn provided a written opinion that when they had made that 1899 payment, the London and Globe's directors had acted *ultra vires* and might be personally liable as a result. The 1899 payment had been made in the form of shares in other Whitaker Wright companies. The repayment, made during November 1900, was also in the form of shares: 125,000 Victorian Gold Estates taken at par value, plus 20,000 Le Roi taken at £6¼ each. These were not the same shares as in the 1899 payment. Whitaker Wright, in his evidence on day 7 of the 1904 trial, stated that those original shares had been "hypothecated and so could not be taken". Asked why Victorian Gold Estates had been selected for the repayment, Wright seemed to respond in terms of this being an act of charity by the London and Globe to British America stating the Victorian Gold Estates "were in trouble the property was in a perilous position and owed London and Globe £40,000." (Times xx January 1904, p.X). In his summing-up of the prosecution case, Rufus Isaacs argued that at the time Victorian Gold Estates shares were selected to form part of this repayment transaction, Whitaker Wright knew that Victorian Gold Estates was to be transformed into Loddon Valley and

Moorlort. It followed, according to Isaacs that: "Either he was taking from British America property [worth] £500,000 at £125,000, or he was valuing at £500,000 property worth £125,000." (Times, 23 January 1904, p.X). On 30 November 1900, London and Globe repaid a loan of £200,000 to British America. The repayment was in the form of 20,000 shares in Loddon Valley and 20,000 in Moorlort, all valued at £5 each (i.e. par). As Moorlort did not actually exist as a registered company until the following day, this transaction would have required Victorian Gold Estates shares to be handed over in place of the equivalent parcel of Moorlorts. Isaacs argued that this boiled down to "The defendant ... selling to the British America 50,000 Victorias [i.e. Victorian Gold Estates] at £4 a share" (Times, 23 January 1904, p.X).

The set of transactions outlined above relating to the three Wright-controlled Victorian gold-mining companies were recorded in the various sets of company records as having taken place over a very short period of time. In his summing-up at the trial, Isaacs argued that the defendant formed the idea "about November 23" (*loc.cit*). That idea needed to be put into "effect" by balance date, the evening of 5 December. The prosecution argued that a second set of contrived transactions was commenced at an earlier date and involved Wright-controlled goldmining companies with interests focussed in British Columbia, Canada. Perhaps because the time-frame for this set of transactions was less compressed, the degree of complexity one encounters in trying to understand them is much greater.

During June 1898, the London and Globe's sister company British America registered three companies to work goldmining prospects originally purchased by the London and Globe and transferred by that company to British America when British America was formed (in October 1897). These three were West Le Roi, East Le Roi and Columbia Kootenay. The three companies were not, however, promoted to the public. The shares

of all three remained entirely owned by British America and the London and Globe. During the second half of 1900 arrangements were made for each of these three companies to sell its principal business interests to a new company and for the three new companies to be promoted to the public. Le Roi No.2 was registered on 31 May 1900 to be the successor-company to West Le Roi. Rossland Great Western Mines Ltd was registered on 28 June 1900 to be the successor-company to East Le Roi. Kootenay Mining Company Ltd was registered on 21 July 1900 to be the successor-company to Columbia Kootenay. For more information on these three company promotions see Appendix B. On 6 November 1900 a fourth new British Columbia-focussed Whitaker Wright company was registered: Columbian Proprietary Limited. The nominal capital of the four new companies was in aggregate £2 million, all in £5 par value ordinaries. As far as the first three of the four new companies were concerned, the plan was that once all the "new" money from the promotion of the companies to the public had flowed in this would be distributed to the shareholders in the predecessor companies (i.e. British America and the London and Globe) and those companies wound-up. To the extent that the shares in the predecessor companies were already recorded as assets of the London and Globe's at their par values, and the cash distributions from the payments from the new companies matched those par values (rather than exceeding them), the end result would be a nil impact on the London and Globe's profit/loss account.

The 1900 accounts and reports published by the London and Globe were not consistent with this. The three "old" British Columbian companies, as they received cash from the new companies, had been making loans from this money to the London and Globe pending being able to make distributions from it to their shareholders (i.e. British America and the London and Globe). By 5 December 1900, a sum of £321,000 of such monies had become treated in the London and Globe's books as operating income and

credited to profits in the profit and loss account. But the shares in the three "old" British Columbian companies were still being carried in the assets register as if these distributions had not been made. On the eighth day of the 1904 trial, Whitaker Wright was questioned about this. According to the Times report: "The £321,000 was, he admitted, got into the balance sheet by a mistake, and increased the apparent profit of the Globe. The result would have been that instead of showing £463,000 profit, the profit would only have been £142,000" (Times 21 January 1904, p.X). Wright went on to state: "It was wrong. It was simply an error in the accountant's department ... [and something] he thought the auditors ought to have found out" (*loc.cit*). The jury had already heard on the fifth day of the trial that the London and Globe's accountant from 1 November 1900 onwards was H.A.Malcolm who in his own words was "not a professional accountant but a book-keeper" (Times xx January 1904, p.x). His predecessor Mr Worters left the company's employment on 31 October 1900 and was not called upon to give evidence in the trial (check).

The £321,000 which Whitaker Wright admitted was an error was not, however, the only problem the prosecution saw as having got into the London and Globe's 1900 accounts and reports as a result of the set of transactions involving the four new British Columbian companies created by the Whitaker Wright group during the latter part of 1900. The prosecution alleged that the £150,000 taken into the London and Globe's profit/loss account for the year to 5 December 1900 as income arising from promoting Columbian Proprietary Limited was fictitious as that company, although registered on 6 November 1900, had not had any of its shares issued to the public by 5 December 1900 (and in fact never had any of its shares issued to the public). When asked in the trial about this £150,000 figure, Wright sought to defend it, but with little explanation: "The Columbian Proprietarys were acquired in November 1900 by the British America, which got 300,000 shares, of which the Globe got half. This was taken into the Globe

balance sheet. This company was not issued to the public, and the purchase-money was only in fully-paid-up shares and the profit was only in shares" Times *loc.cit*).

In the prosecution summing-up, Rufus Isaacs argued that the London and Globe's statement of its profit/loss for its "year" to 5 December 1900 had been distorted by a number of contrived transactions. He sought to lay particular stress on four items. Three have now been discussed: the £564,000 involving the three Victorian companies; the £321,000 of double-counting re the three new British Columbian companies; and the £150,000 "promotion profit" on Columbian Proprietary Limited. The fourth item was £100,000 of "profit" recorded as having been made when the London and Globe sold a block of Australian mining options to its sister company Standard Exploration on 4 December 1900, the day immediately preceding balance sheet day. The London and Globe had obtained the relevant option block from Victorian Gold Estates as part of its agreement with that company made on 23 November 1900. The option block was the consideration for London and Globe agreeing to register the Loddon Valley company and "guarantee" a subscription of £50,000 to it. There was a fifth major item of a somewhat questionable nature. In its 1899 balance sheet, the London and Globe had entered a negative item of £500,000 in its profit/loss account as an aggregate allowance for depreciation on its holdings of shares in other companies. In the 1900 balance sheet this item was "deleted" (i.e. the £500,000 written back in as a positive for the year to December 1900). While Isaacs did not specifically include this fifth item in his summing-up arithmetic, nor did he ignore it completely. Referring to the four items, The Times reported Isaacs saying:

These amounted to more than a million, and were wrongly credited. He would take no note here of the £500,000 carried to profit and loss account, which was said to be mere book-keeping. He was standing now on £1,135,000. They were items created only in order to inflate the balance sheet. Those four items made

£1,135,000 and there was no controversy as to the facts relating to those four items (Times, 23 January 1904, p.4).

It should be noted that while the defence did not contest the "arithmetic" of this £1,135,000, there was adamant denial that it was all contrived with intent to deceive and defraud. In Lawson Walton's summing-up for the defence, he argued regarding the Victorian companies that: "The 'alchemy' was the actual discovery of the gold turning the £200,000 to the £800,000 ... the profit of £564,000 was the legitimate value of this successful enterprise." Regarding the £100,000 for the option-block, Walton asserted it was "no excessive reward" since "The whole success was due to the Globe's services". Regarding the £150,000 from the unissued Columbian Proprietary shares, Walton said: "It was for the prosecution to prove the worthlessness which they alleged. It was absurd to contend that the valuation of £150,000 for Columbian Proprietary was exaggerated." Regarding the £321,000 Walton stated: "Mr Wright's action in this connexion was one of the strongest evidences of his innocence he voluntarily exposed the mistake of taking credit for £321,000 when he ought not to ... Intention to deceive and defraud was absolutely inconsistent with this outspoken frankness" (Times, 26 January 1904, p.3).

The various transactions between the London and Globe and other Whitaker Wright-controlled companies that generated this £1,135,000 were not all that the prosecution saw as being misleading about the profit/loss for the year and the value of assets held at the end of year as recorded in the London and Globe's accounts and reports for 1900. There was the broader issue of the values at which shares held in other companies were recorded, and the size and nature of "adjustments" made to allow for situations where shares held by the London and Globe no longer had a value as great as that at which they had previously been recorded, in the company's books. The accounting convention which formed the basis for the London and Globe's valuation of its holdings shares in

other companies was to value these "at cost where purchased, otherwise at par".

Lawson Walton, leading Whitaker Wright's defence, said on the fourth day of the trial:

"The view of the Globe was that the market value was no criterion of the true value".

The Judge, Mr Justice Bigham, then said "I never heard of such a thing as that", to which Walton replied: "Your Lordship's experience is very limited. There are scores of companies that do it" (Times, 15 January 1904, p.x).

This convention of "cost where purchased, otherwise at par" formed the basis for the valuations in the London and Globe's books, but does not give the entire picture. Firstly the definition of "cost" requires some elaboration. If the London and Globe sold some shares at a price below that which had been paid for them and did not make any new purchases of shares in the same company, the realized loss would be recorded as a "loss" in the books. But if new purchases of shares in the same company did occur the realized loss on the earlier sales would not be recorded in the profit/loss account. It would be factored into the cost recorded for the new parcel. This was termed the "average-cost" method. Secondly there were some occasions on which some parcels of shares held in other companies were valued in the London and Globe's books at prices below those given by these conventions. The extent of these "writedowns" was recorded as "depreciation". Mr Malcolm, who worked in the Globe's accounting area throughout the period, gave evidence that in this regard "1900 was the same as 1899, and nothing was written off except [for two small amounts]" (Times, 19 January 1904, p.x). Thirdly when shares obtained by the London and Globe other than for cash were later converted into new shares in new companies and the par valuation of the latter was below the par valuation of the former the "loss" seems to have been described as "depreciation" in the books.

Finally, the figure reported in the London and Globe's 1900 balance sheet under the heading "depreciation on shares account" included losses recorded as having been realized on shares sold as well as "depreciation" on shares still held (or resulting from conversions). Mr Malcolm stated in his evidence that "It would have been more accurate to have put in depreciation on shares held and losses on shares sold" (Times, 16 January 1904, p.x).

The prosecution argued that this description of realized losses as "depreciation", combined with various statements at the London and Globe's meeting made about the total amount of depreciation allowed for in the company's asset-valuations, constituted misrepresentations with intent to deceive and defraud the company's shareholders and/or creditors. Rufus Isaacs' cross-examination of Whitaker Wright included the following interchange:

RI: You said in your speech that if the market value of the shares was less than cost, they were marked down to the market value. Is that a true statement?

WW: Yes, the auditors proposed it, but it was not done.

RI: Was it true?

WW: I do not think those words are strictly accurate; if you go to a City meeting and answer 100 questions, it is not easy to choose your words ...

RI: Has market value anything at all to do with your balance sheets?

WW: I do not think it has much.

RI: Has it anything?

WW: The rule is that we do not consider market value.

(Times, 20 January 1904, p.3).

In his summing-up comments, Isaacs stated that in the 1900 London and Globe balance sheet:

There was no allowance for depreciation on securities with the exception of £179,000 which ... was not written off for depreciation; it was loss. In the directors' report of 1900 they said that, the market value of securities having

declined a very large sum had been written off for depreciation. They had now from the defendant the plain, unvarnished fact that not a penny had been written off for depreciation, and that the market value had not been considered at all. ... Mr Wright said at the meeting that over a million sterling had been written off for depreciation. That was absolutely untrue. ... They had appreciated their assets, and not depreciated them. (Times, 23 January 1904, p.x.)

Of the London and Globe's £2,332,000 assets in shares held in other companies at 5 December 1900, almost a quarter consisted of shares held in the two sister companies, Standard Exploration and British America Corporation. The 410,235 Standards were valued at 20 shillings and 3 pence each, at a time when the market price was 9 shillings and 9 pence. The 166,422 British America were valued at 18 shillings and 7 pence each, at a time when the market price was about 15 shillings (check). There were various other parcels of shares in Wright-promoted companies whose balance sheet valuations were substantially in excess of their market valuations, not counting the Victorian gold-mines and British Columbian companies already referred to. For example an earlier Wright-promoted company International Corporation had been converted into the Caledonian Copper Co. in 189X. The London and Globe's balance sheet had £204,159 as the value of its holdings in this company. The prosecution argued that there was no market price available (Times, 13 January 1904, p.x). In essence the prosecution's view was that the London and Globe had already been insolvent by the end of September 1900, as a result of a combination of realized losses on its share-trading activities and declining realizable values on many of its asset holdings. The prosecution did not view events occurring after 5 December 1900 as being responsible for the company's insolvency (although they exacerbated the extent of the problem).

(b) The London and Globe's 1899 accounts and reports.

In respect of the London and Globe's published accounts for the year to 30 September 1899, the prosecution did not seek to present evidence of misrepresentation of the profit/loss generated by the company's activities during that period. Nor did the prosecution seek to mount a case that the "bottom-line" in the company's statements of its total assets/total liabilities at 30 September 1899 was seriously misleading. The prosecution did raise concerns about the accounting conventions used by the company to provide values for its holdings of shares in other companies. But since there was an aggregate £500,000 allowance for depreciation that was deducted from the profit/loss (although it was added back in the following year), the prosecution probably believed there was little to be gained by pressing these points strongly in respect of these 1899 figures. What the prosecution did argue had been misrepresented in the 1899 accounts and reports was: firstly the extent to which the London and Globe's September 1899 asset holdings consisted of "cash at bankers", and what that meant for the "safety" and "strength" of the concern; and secondly the extent to which the London and Globe's profit position had deteriorated during the weeks immediately before the company's annual general meeting on 24 October 1899.

The London and Globe's balance sheet as at 30 September 1899 reported £534,455 in "cash at bankers". The prosecution argued that whilst this was literally a true statement, it was the result to a significant extent of a set of contrived transactions involving the London and Globe and its two sister-companies, Standard Exploration and British America Corporation. On the morning of 29 September 1899, the London and Globe had £80,000 in "cash at bankers". On the two days 29 September and 30 September 1899 London and Globe paid into its bank account with the Joint Stock Bank six cheques drawn on Standard Exploration totalling £359,176. All six were signed by Whitaker Wright and counter-

signed by Standard Exploration's company secretary. During the same two days Standard Exploration paid into its bank accounts three cheques drawn on British America, totalling £113,365, all signed by Whitaker Wright and counter-signed by British America's company secretary. Standard Exploration arranged to borrow £100,000 from its bankers Messrs Robarts, Lubbock and Co. on 27 September to be repaid on or before 13 October, Whitaker Wright having signed the letter requesting this. On 7 October that loan was repaid by Standard Exploration, that company having received a cheque for £105,000 the day before from London and Globe, signed by Whitaker Wright. The £100,000 which went from Robarts, Lubbock and Co. to Standard Exploration to London and Globe, and then back along the same chain in reverse within ten days was recorded in the accounts of the two Wright-controlled companies as consideration for various shares in other Wright companies, the ownership of which was transferred in one direction before September 30 1899, and then back in the reverse direction a week later. On 29 September 1899 Whitaker Wright personally borrowed £50,000 from the bank at which he had his account, the London Joint Stock Bank, to be repaid on or before 13 October. On 30 September Wright drew a cheque in favour of Standard Exploration, to make that company a personal loan of £40,000. On October 6 Standard Exploration gave Wright a cheque for £40,085 in settlement of that personal loan. The prosecution argued that these and the various other transactions it provided evidence of, represented an attempt to mislead the London and Globe's shareholders and/or creditors into believing that the nature of the company's business was such that the profits recorded in its profit/loss account were hard "cash" profits, and that to pay out a ten per cent cash dividend from those profits was consistent with a conservative and prudent stewardship of the shareholders' funds.

The final sentence of the preceding paragraph is in the words of the writers of this paper, not the words of the January 1904 prosecution. The words used by Rufus Isaacs in his summing up for the 1904 prosecution included:

The Globe wanted more than £80,000 [in "cash at bankers"] because the defendant wanted to be able to say that more than the whole amount to the credit of the profit and loss account was in cash, and that the concern was sound and able to pay 10 per cent regularly Having started with the £80,000 they proceeded to manufacture the other items so as to satisfy the auditors The report stated that the aim of the directors was to consolidate the position of the company, and the result of their policy was that more than the whole amount to the credit of profit and loss was in cash (Times, 22 January 1904, p.x).

Turning to the question of whether the London and Globe's underlying profitability position was significantly different by the time the company's annual general meeting was held on 24 October 1899, from the position indicated in the company's profit/loss figures for the year to 30 September 1899, the key issue concerns the progress of a stock exchange "play" which the London and Globe (in conjunction with Standard Exploration) had commenced in July 1899 (check). This "play" was in Lake View Consols shares. Although it was in the shares of exactly the same company, this autumn 1899 "play" preceded, and is separable from, the November/December 1900 play which triggered the "failure" of the London and Globe on 28 December 1900. On the third day of the trial, evidence was presented that "the Globe had lost by February 1900, £740,000 on Lake View Consols and the account was practically closed" (Times, 14 January 1904, p.x). Standard Exploration lost some £250,000 over the same period (cite reference?). The combination of the London Stock Exchange's "carry-over" arrangements together with the London and Globe's internal accounting conventions do not make it easy to identify the time when this loss can reasonably be regarded as having been "accrued". This is important, as it is this loss which created a major transformation in the capability of the London and Globe to perform successfully in its hitherto core business activity (i.e. promoting new companies and making profits from stock exchange trading in the securities of those and related companies).

During Whitaker Wright's cross-examination on day eight of the 1904 trial, he stated that "in November or December 1899, the Globe accountant told him that unless the Globe got £300,000 or £400,000 in cash it would collapse. On November 15 1899 he lent the Globe £140,000. The Globe was then in difficulties" (Times, 21 January 1904, p.x). The further cross-examination as reported in The Times included:

RI: How came it that within three weeks [October 24 to November 15] there was such a change?

WW: I think it was the fall in Lake Views.

RI: Were those Lake Views bought before September 30?

WW: I do not know; the books will show.

RI: At the date of the meeting on October 24, 1899, what was the position?

WW: I do not know.

RI: Were you purchasing Lake Views for the Globe and Standard up to October 24?

WW: Probably.

RI: Did those purchases lead to difficulties in November owing to the fall?

WW: I expect so.

(Times, *loc.cit.*).

It seems fairly clear that the intention of the prosecution here was to suggest that at least some major portion of the London and Globe's subsequently revealed loss on this particular stock exchange "play" had been accrued prior to the company's annual general meeting of 24 October 1899. By continuing to purchase contracts-to-buy Lake View Consols on the Stock Exchange up to 24 October, it had been possible to conceal this problem from "outside observers". The prosecution's case was essentially that by not providing any information at its annual general meeting about the extent of the London and Globe's exposure re these Lake View contracts-to-buy, and the extent of the risks associated with these contracts, the conservatism and prudence with which the company's shareholders' funds were being managed was misrepresented – with the intention of defrauding the company's shareholders and/or creditors.

(c) The 1904 trial verdict.

In his summing-up, Justice Bigham told the jury that "The charge was in substance that of having issued two false and fraudulent balance sheets" (Times, 27 January 1904, p.11). Of the 26 separate charges, he told the jury not to consider the two (9 and 18) relating to "intent to induce persons to become shareholders", on the basis that: "It was not of importance, for if they did not find the defendant guilty of intent to deceive or defraud shareholders, they would not likely find him guilty of intent to induce people to become shareholders" (loc.cit.). The prosecution acquiesced to this easing of the burden on the jury. But it would seem to be an exaggeration to state that these two charges were "dismissed" (cite sources which do say this). Justice Bigham's final instruction to the jury as reported by The Times was:

If they said he was not guilty, there was an end to the matter, but, if they found a verdict of guilty he would like them to say whether there were any counts on which the evidence had not satisfied them. Counts one to four related to the report and balance sheet of 1899, five to eight to the speech of 1899 ... 10 to 13 related to the report and balance sheet of 1900, 14 to 17 to the Speech of 1900 ... Count 19 was for omitting £1,603,000 liabilities from the balance sheet of 1900; ... Counts 20 to 26 referred to the different brokers ... on the entries in the Globe accounts balancing them off, though they still existed (loc.cit.).

The jury retired for about 60 minutes and then reported a verdict of guilty on all counts, except the two which they had not considered. Prior to sentence being passed, Lawson Walton argued for Wright that: "It was not suggested that he was actuated by motives of personal gain ... if his line of action was adopted to serve the interests of the company, the moral view of his conduct was very much moderated" (loc.cit.). Justice Bigham does not appear to have accepted this reasoning. Stating that he could not "conceive a worse case than yours under those sections of the Act ... which defines

your offence" he sentenced Wright to the severest punishment permitted by the Act – seven years penal servitude.

The evidence presented at Whitaker Wright's 1904 trial provides detailed insights into the methods which Wright was willing to employ in order to disguise the extent to which the London and Globe was in serious difficulties in the late autumn of 1900, and which he had used in less-extreme ways a year earlier. But that evidence does not provide much guidance towards understanding how the once-so-successful Whitaker Wright companies had come to be so badly weakened by the autumn of 1899, or what it was that happened in December 1900 that triggered the final collapse. For help with these questions, it is useful to examine an earlier Whitaker Wright "trial", heard in June 1902.

3. The June 1902 Trial

On 14 January 1901 (check), just two weeks after the London and Globe's failure to meet its commitments on Stock Exchange pay-day 28 December 1900 the company (still under Whitaker Wright's control) issued writs against parties the company alleged to be responsible for its financial crisis. The writs were for breach(es) of contract and sought damages for costs imposed on the London and Globe as a result of those breaches of contract. The damages sued for amounted to £1 million. In the absence of the information that subsequently came to light about the financial state of the London and Globe as at its 1900 balance date (5 December), the notion that £1 million might yet be recoverable in damages would no doubt have been useful to Wright in terms of his negotiations with the company's creditors and his "relationship" with the company's shareholders. It was subsequently alleged that that issuance of the writs had had more to do with "buying time" for voluntary liquidation vis-à-vis the compulsory liquidation alternative, and with deflecting the ire of the Stock Exchange members "hammered" in

consequence of the London and Globe's failure (see below). But even after the London and Globe's "voluntary liquidation" had been ordered compulsory in October 1901 (check), the company persevered with this action for damages. The official liquidator was ordered to act thus in a Court order of [date + details].

The case finally came to court in the Kings Bench Division in June 1902, as London and Globe Finance Corporation (Ltd) versus Basil Montgomery and Co. *et.al.* The case was high profile. London and Globe were represented by two eminent KCs: Sir Edward Clarke and Lawson Walton. The defendants (see Appendix C) were represented variously by eight KCs: H.H.Asquith, Rufus Isaacs, Mr Terrell, Mr Danckwerts, Mr McCall, Mr Avory, Mr H.Reed, and Mr Lush. Whitaker Wright was the principal witness called to give evidence for the plaintiff (The London and Globe Finance Corporation).

In order to explain the nature of the plaintiff's case, and equally so that of the defendants, it is necessary to provide some background on the way the market for company shares operated on the London Stock Exchange in this period. Except for one day each fortnight, contracts-to-buy and contracts-to-sell were not what we would now call "spot transactions" committing the parties to immediately furnish the full purchase cost in money in exchange for delivery of scrip, or to immediately furnish the scrip in exchange for receipt of the full sales proceeds in money. Rather, entering into a contract-to-buy normally meant fixing the price at which one of two things would be required at the next "carry-over" day: either commit to pay that price and take delivery of the relevant scrip, or arrange to "carry-over" for a further fortnight. If you chose to "carry-over" you would not need to pay the full purchase cost of the share-parcel you had contracted to buy, and you would not be entitled to claim delivery of scrip. But it would be necessary to fix a new price re your share-parcel (the carry-over price) and to

make payment, or receive payment re the "difference" between this price and your originally "fixed" price. An equivalent situation faced those who had entered into contracts to sell during the preceding fortnight, on carry-over day. The choice facing them was either commit to supply the relevant scrip, and take delivery of the proceeds at the originally agreed price, or arrange to "carry-over", involving the fixing of a new "carry-over" price and payment or receipt of "differences". On carry-over day, carry-over prices were determined by the interaction of those wishing to carry-over contracts-to-purchase in a particular share and those wishing to carry-over contracts-to-sell. For that one day of each fortnight there was a visible dual-market: a spot-market and a 14 day futures market in each share. If there was a stronger enthusiasm to obtain carry-over among those with contracts-to-buy "maturing" on that day than the degree of corresponding enthusiasm for carry-over on the opposite side of the market, the carry-over price would tend to rise relative to the spot price. In cases where the balance of "enthusiasm" for carry-over facilities was markedly in the opposite direction, the carry-over price could settle below the spot price, a phenomenon termed "backwardation". In the case of a company share that was not subject to much significant speculative expectation of either rise or fall over the next fortnight, the gap between that share's carry-over price and its spot price (the "contango") could be expected to reflect the prevailing cost of obtaining a loan for the full spot price of the shares for two weeks pledging only the shares themselves as security.

This institutional framework can reasonably be viewed as constituting a derivatives market rather than a "shares market" except insofar as it relates directly to carry-over-day transactions for immediate settlement. If the preponderance of trades in a particular company share were between "final" parties expecting to opt for the "immediate delivery" option on the next forthcoming carry-over day, this distinction between a futures market and a spot market would largely be an issue of splitting hairs. But if,

during a particular trading fortnight ("an account") the entering into contracts-to-buy / contracts-to-sell in a particular share had been predominantly by "final" parties mainly expecting to take advantage of the carry-over opportunity at the next-forthcoming (and subsequent) carry-over days, this becomes more important. That latter scenario would seem to be more likely where the shares in question were in a company whose future profitability was subject to a high degree of uncertainty, as in the case of a prospective (or only recently exploited) mining venture.

Within this framework it should by now be clear that the following type of situation could emerge, particularly in the case of shares in a company with a prospective or recently exploited mining resource as its principal asset(s). The "broad base" of shareholders / potential-shareholders who are interested in holding shares on the basis of assessments of the medium-term to longer-term profitability of the company have very little hard information to operate upon, and they perceive the current share-market price (and movements therein) as a significant input to their assessments. Two groups of "players" are present in the market: one (the "bulls") which buys in significant volume, expecting to create, by their own buying pressure, upward movement in the price which will entice "broad-base" persons into jumping on the bandwagon and creating an upward wave from which they can get-off at a profit; the second (the "bears") which sells in significant volumes, expecting to create, by their own selling pressure, downward movement in the price which will entice "broad-base" persons into jumping on their bandwagon and depressing the price so that they can then buy and take delivery of scrip at low prices allowing them to close out of their original "bear" contracts to give them a profitable outcome.

In cases where it was a poorly informed broad-base market versus a group of well-resourced and well-organized "bulls", one might expect the latter usually to win at the

direct expense of the former. In cases where it was a poorly informed broad-base market versus a group of well-resourced and well-organized "bears", one would again expect it to be the latter who would usually win out at the direct expense of the former. But where there is a well-resourced and well-organized "bull" group on one side, a well-resourced and well-organized "bear" group on the other, and a poorly-informed broad-based market in the middle, it is clearly much more difficult to predict the outcome. It would seem to become largely a matter of how much commitment-to-buy the bulls are willing to put in on their side of the market, how much commitment-to-sell the bears are willing to put in on their side of the market, and which side "blinks" first.

By the time the case of London and Globe versus Montgomery *et.al.* commenced hearing in June 1902 it had become clear that a good deal of the energy and resources of Whitaker Wright, the London and Globe and its sister companies was devoted to activities associated with either "bull" plays or "bear" plays in various shares over various periods. At the London Bankruptcy Court's January 1902 public inquiry into the affairs of the London and Globe, British America Corporation and Standard Exploration, Whitaker Wright stated that: "The business of the London and Globe was that of company promotion and dealings in stocks and shares in connexion with such promotion" (Times, 14 January 1902, p.10). The London and Globe's memorandum of association provided a broad ambit for the latter activities, stating as one of the company's objects: "to engage in all kinds of financial operations". The two sister companies also had equivalently worded objectives. The chairman and directors of the London and Globe (and also of the two sister companies) appear to have been much more closely involved in monitoring and oversight of the company-promotion side of the business than in the Stock Exchange dealings. Wright told the London Bankruptcy Court public inquiry

... properties were usually recommended by him to the directors, and no purchases or issues were made without the unanimous approval of the board. If any director disagreed upon a matter, it was dropped ... With regard to the operations on the Stock Exchange ... they were necessarily conducted by him ... If the business had not been delegated by the other directors to him as managing director the board would have had to be in session every day from 11 to 5 o'clock (Times, 26 February 1902, p.xx).

This would suggest a significant volume of ongoing Stock Exchange trading and not simply a "side-line" to what many observers of the London and Globe may have believed to be its principal "core" business activity: the responsible company-promotion of good-quality business projects with reasonable expectations of medium-to-long-term success. Wright argued that this dual focus of his company group had always been present and that this was well-known: ... "it was well understood from the foundation of the Globe that a part of their business would consist of Stock Exchange operations" (*loc.cit.*). The London Bankruptcy Court public inquiry also heard evidence as to the broad dimensions of two of the London and Globe's "bull" plays: a successful one at the time of the float by British America Corporation of Le Roi No 2 in June 1900 from which "the London and Globe made a profit of about £125,000 in cash" (Times, 14 January 1902, p.10); and an unsuccessful one in Lake View Consols during the autumn of 1899 which involved "a loss approximating one million of money" (Times, 26 February 1902, p.xx). Of that million, approximately three-quarters was a loss to the London and Globe, with the other quarter mainly to Standard Exploration. But in this January / February 1902 hearing, the presentation of evidence concerning the "bull" play in Lake View Consols of November-December 1900 (which was the immediate cause of the collapse of the London and Globe) was constrained by the pending action against Montgomery *et.al.* And the information presented on the two earlier "bull" plays was sketchy. It was thus left until the June 1902 case for there to be a fuller

revelation of the actual methods and tactics of what the London and Globe's articles of association termed "all kinds of financial operations".

The essence of Whitaker Wright's evidence at the June 1902 trial was that in November 1900 the London and Globe had entered into a contract with a syndicate of allied "bulls" to operate in the market for Lake View Consols during the winter months of 1900-1901. According to Wright this contract was an oral one between himself acting for the London and Globe, Herbert A. Trower, the "chief agent" of the syndicate and Arthur H. Young who managed the accounts of the syndicate and received and distributed the shares to which members of the syndicate became entitled (Times, 4 June 1902, p.3). Wright stated that two legal documents created after this syndicate had already commenced its operations (and dated 14 December) did not represent the true nature of the contract. The true agreement, he alleged, was that the syndicate would provide up to half a million pounds by the end of the mid-December 1900 "account", and up to an additional million pounds by the end-December 1900 "account", in order to allow the London and Globe not simply to continue entering into more contracts-to-buy Lake View Consols shares and carrying-over, but to allow the London and Globe to insist on scrip delivery in substantial volumes at the end of the two relevant account fortnights. The goal was to turn up the heat on the "bears" in Lake View Consols (those with open interests in contracts-to-sell the shares), making it more and more costly for them to carry-over their "bear" positions, and at some point panicking them into trying to buy shares for delivery to close out their positions. At that point the Lake View Consols share price would soar, the Wright-Trower-Young syndicate would start to sell and make delivery of the scrip the "bears" were now desperate for. The syndicate's "bull" position would thus be liquidated at a handsome profit (derived principally at the direct expense of the "cornered" bears). Wright may have believed that the Lake View bears of November / December 1900 were the same persons as the Lake View bears of

autumn 1899 who had won £1 million at the expense of the London and Globe and Standard Exploration in that episode (see above). If so, a desire for revenge may have become mingled with the pursuit of pecuniary gain for the benefit of shareholders in the London and Globe and its associated companies.

Crucially to the plaintiff's case, Wright asserted that the oral contract with the Trower-Young syndicate included an agreement not to sell any of the Lake View Consols shares taken off the market by the syndicate until the share price had gone higher than £17, and that the syndicate group would split fifty-fifty with the London and Globe those proceeds on the eventual sales that represented the excess above £11 per share. This alleged agreement to share the profits expected from the exercise was important to the London and Globe's case that the whole exercise represented a partnership between it and the various syndicate members – who were therefore responsible to pay damages to the London and Globe for losses arising from their not fulfilling their agreed roles as provided for in the original (and oral) contract.

Lake View Consols was a company with 250,000 ordinary shares on issue each with par value of £1. It was promoted by Wright in August 1896 to take over the mining leases of the Adelaide Company, The Lake View and Boulder East Gold Mining Company. That Adelaide company received 160,000 of the new London company's shares as vendor consideration, for allocation among its own proprietors. The company made good profits for the remainder of the 1890s, paying a total of £1,318,000 in dividends by the end of 1899. Its share price peaked at £28 in mid-August 1899, fell back below £14 in early December 1899, and slumped further in mid 1900 to £10.5s on 2 June (see A.Lougheed, "The London Stock Exchange boom in Kalgoorlie Shares, 1895-1901", Australian Economic History Review, March 1995, pp.83-102). From July to early November 1900, the London and Globe started to "buy" Lake Views mainly carrying-

over its contracts-to-buy at each successive carry-over day. At the end of 13 November 1900 (the mid-November carry-over day) the London and Globe had "bought" a holding totalling 64,082, of which 42,555 were carried-over (Times, 6 June 1902, p.x).

According to Wright, substantial purchases on the basis of the agreement with Trower that he would organize a syndicate to take scrip delivery at the mid-December account settlement, commenced on 17 November (Times, 4 June 1902, p.3). By mid-December, the total purchases by the London and Globe amounted to 124,962 shares in Lake View Consols, representing only slightly below half its total number of shares on issue. The Trower syndicate members furnished £336,571 at the mid-December settlement to allow 42,000 shares to be taken delivery of. These shares were made available to the syndicate members to transfer into their own names, at the rate of one share per each £11 furnished. The London and Globe continued to make additional purchases of Lake Views for the end-December settlement, with the final cumulative aggregate reaching 167,087 when the buying was halted on 22 December (Times, 6 June 1902, p.x).

With the wisdom of hindsight, it seems odd that Wright and his associates could commit this dimension of buying commitment into the market for Lake View Consols without it producing a more marked upward impact on the Lake View share price. The price at no stage in the exercise got more than marginally above £15, and on Monday December 18 fell dramatically by £3. It then struggled along in the £12 to £13 band until the debacle of 28 December when it slumped to below £8.10s. There are two explanations for this: firstly that the bear interests had the combination of financial resources and confidence in their own eventual victory to deploy selling commitment into the Lake Views market of a scale sufficient to absorb the bulls' buying pressure; secondly there was a "ratting" (to use the phrase of the day) by some of Wright's supposed allies. According to Wright's evidence in the June 1902 trial, members of the Trower syndicate who had been supplied with Lake View shares obtained by the London and Globe so as to take

them off the market, were breaching the syndicate agreement by selling those shares into the market at below the agreed lower-limit price of £17. During the latter part of Wright's December 1900 exercise in Lake Views, the London and Globe was frequently buying the same Lake View shares for a second time, having passed the scrip over to its "allies" at a price marked in the accounts as £11 per share between the two purchasers and with £11 being markedly below the price paid by the London and Globe either the first or second time.

The defendants in the case did not deny that they had sold back into the market Lake View shares supplied to them by the London and Globe under the agreement arranged through Trower and Young with that company. But they denied that the agreement placed any restrictions on their selling at prices below £17. They denied that there was any agreement to divide with the London and Globe the sales proceeds in excess of £11 per share. And they denied that they had made any firm commitment to furnish a second tranche of money (beyond the first £500,000) to allow London and Globe to take delivery of Lake View shares at the end of December 1900 account. The defendants all gave testimony to the effect that their agreement with the London and Globe was as set out in the two written contract documents dated 14 December 1900, and nothing more except some statements of potential interest in and / or best endeavours towards the formation of a second funding arrangement for the London and Globe's Lake Views commitments at the end-December account. According to the first of the two written contracts presented to the trial, the monies furnished by the defendants to the London and Globe at the time of the mid-December Stock Exchange settlement represented a set of loans, from the defendants to the London and Globe, with London and Globe owned shares in Lake Views being the pledged security. These loans were to be repaid on or before 31 March 1901 (check) and were to be at a zero rate of interest. Instead of any interest, the "consideration" provided by the London and Globe to the defendants was to

take the form of its agreement to the second of the two written contracts dated 14 December 1900. This was a call option over the Lake View shares comprising the security to the loan contract, granted by London and Globe to Trower in the role of trustee for the defendants as a whole, with an exercise price of £11 per share and exercise not restricted to any particular date(s). On 17 December Trower formally assigned the right of call over the Lake View shares to a Mr Forman, Arthur H. Young's clerk (Times, 7 June 1902, p.x, 10 June 1902, p.x, 11 June 1902, p.x). The defendants contended that these written contracts represented the totality of their contractual obligations towards the London and Globe, that there was no partnership entered into, there was "no evidence that the limit of £17 was ever intended to form part of the contract or ever embodied into it", that there was no "fettering of their right to call [the Lake View shares at £11 each]" (Asquith's words as reported in Times, 7 June 1902, p.x).

By the time the jury were required to give their verdict, they were faced with Whitaker Wright's evidence on the nature of the "oral" contract between the London and Globe and the defendants, the defendants' denial that such an oral contract ever existed, the facts of the two written contracts, and a body of circumstantial evidence presented by the plaintiff and elicited from the defendants during the course of cross-examination. One example of the latter was Murray Griffith's response to cross-examination by Lawson Walton about a discussion he had had with another Stock Exchange member (Mr Simpson) on 22 December with regard to the end-of-December £1 million syndicate. Griffith stated that "He had never said that a million pound syndicate had been formed to help the Globe and that he had found some of it in Brighton.... He certainly did not tell Mr Simpson that a syndicate had been formed to raise the money, but he may have said that the money was on the table." (Times, 12 June 1902, p.3.)

When the Lord Chief Justice, Lord Alverstone (check) came to sum-up, he said that no evidence had been presented of a contract to form a syndicate for £1 million, and that there was therefore "nothing for him to leave to the jury" in that regard. He instructed the jury to consider three main questions: firstly whether any of the defendants (and if so which) had agreed not to sell under £17 or any other limit; secondly did the defendants agree to share the profits on the sale of the "loan shares" with London and Globe; and thirdly, if there had been an agreement which had been broken, what were the damages that the London and Globe had suffered as a result of that (Times, 12 June 1902, p.3). The jury did not have the opportunity to retire and collectively consider their verdict until the following day. They then retired for just 15 minutes before answering the first two of these questions in the negative, implying that the third question did not need to be addressed (Times, 13 June 1902, p.x). The Times editorial on the verdict included:

... Scarcely a scrap of evidence was forthcoming against some of the defendants; and as the case proceeded the evidence against one and all of them became plain. So complete was the failure to make out any of the charges against them that we are at a loss to understand why and how the Official Liquidator could have sanctioned the proceedings None the less ... we scarcely regret that an unfounded action has been brought when we think of the wholesome light thrown on the juggles and manoeuvres, the throwing of dice and shuffling of cards, which go to make finance as it is understood by some who have their admirers and their dupes. It seems to us moreover, that blame, the extent of which we do not profess to determine, attaches to the defendants for having aided in an attempt to bolster up this corporation, which they must have known to be in a thoroughly unsound position, and the managing director of which they evidently mistrusted (Times, 13 June 1902, p.x).

Looking back from a century later, it does seem somewhat strange that the Official Liquidator of a company should mount a legal action, and in doing so subject the company in his charge to the costs associated with that action, when the action could

always be expected to turn on two key questions: whether there was an oral contract of more importance than the two visible written contracts; and whether the testimony of one individual "party" to the substance of that alleged oral contract was likely to be more credible to a jury than the collective evidence of all the other persons alleged to be parties to that oral contract. The situation was rendered still more difficult from the plaintiff's perspective by the fact that Wright at no stage directly met with some of the defendants, and therefore it would not only be necessary to convince a jury that an oral agreement had been made between Wright, Trower and Young during the course of their direct contact with one another, it would be necessary also to convince that jury that additional oral contracts existed between Trower, Young and the other defendants, binding the latter to that "direct" oral contract.

While the London and Globe's case in this June 1902 trial might be viewed as having been doomed to failure from the word go, this does not necessarily mean that the whole story of the oral agreement for a "bull" manoeuvre on Lake View Consols in November/December 1900 was pure imagination on the part of Wright. Under cross-examination during the trial, Trower stated that: "He had been in syndicate arrangements with Mr Wright from time to time. Sometimes the terms were reduced to writing. Murray Griffith and Mr Young had worked with Mr Wright before." (Times, 11 June 1902, p.x.) In their own evidence Arthur Young stated that "He had had ordinary stock-exchange transactions with Whitaker Wright before 1900, but had had no other business relations with him" (Times, 12 June 1902, p.3); while Murray Griffith said "He had had a previous transaction with Whitaker Wright in 1898" (loc.cit.). The Financial Times report of Trower's evidence contains some words not included in the Times report: "Mr Young and Mr Murray Griffith had on former occasions acted with Mr Wright, but on none of those occasions were the arrangements ever submitted to writing" (F.T., 11 June 1902, p.x).

Prior to the formation of the London and Globe, Wright's "flagship" company had been the West Australian Exploring and Finance Company Ltd, registered 4 September 1894. Its shareholders list compiled after its initial allocation of 101,500 of its 195,000 ordinary £1 shares lists only four holders with 5,000 or more shares each. The biggest holder was a firm of Edinburgh stockbrokers, Hardie and Turnbull with 7600. Murray Griffith held 5030. Arthur Henry Young held 5000. Whitaker Wright is not listed as holding any of the ordinaries, but held all 5000 of the special "deferred" shares (BT 31/5946/41876 at the PRO, Kew, London). By August 1895, Murray Griffith was the single biggest shareholder in the company with 14,465 ordinaries. Young then held 3705. At the time of the conversion of the W.A.Exploring and Finance Company and the London and Globe "mark I" into London and Globe "mark II", Murray Griffith held 7834 W.A.Exploring and Finance. It would seem that by that stage Griffith had acquired some of the deferred shares in W.A.Exploring and Finance or London and Globe "mark I" (which by this stage were in "bearer" form) because he appears on the "new" London and Globe's initial shareholders list with 47,940 of that company's 1.6 million shares, a holding more than twice the size of that of the company's next biggest shareholder. Holders of the special "deferred" shares in the two precursor companies, it should be noted, were particularly advantaged in the conversion process into the "new" London and Globe. By November 1899, Griffith had exited from the London and Globe's share register (BT 31/7272/51448 at the PRO).

There had been a third "financial" company in the Whitaker Wright group alongside W.A.Exploring and Finance, and the London and Globe "mark I". This was the Austin Friars Finance Syndicate, registered 12 August 1895 (four months after London and Globe "mark I") and later subsumed into the Standard Exploration Company (see Appendix B). Both Murray Griffith and Arthur H.Young had holdings in the special "deferred" shares of this company, a privilege they shared with the partners in the

Brokers to most of Whitaker Wright's company flotations: Charles George Hale, Frederick C.D.Haggard, and H.H.Wyatt. (BT 31/44894/xxxxx at the PRO.) As can be seen from Appendix D, the offices of Murray Griffith, Arthur Young, Herbert Trower, and Whitaker Wright's principal companies were all at the same address during this period. In his opening address for London and Globe, Sir Edward Clarke had referred to the Austin Friars Finance Syndicate. He said that Wright had required of Trower that he submit to him "the names of the gentlemen who were to form the syndicate" so that Wright could "be satisfied that they were substantial persons". Clarke went on: "some of them having been members of a successful syndicate known as the Austin Friars Syndicate ... they were known to Mr Whitaker Wright as persons who had taken part in large financial transactions, and whose co-operation in Stock Exchange matters would be of great importance and value" (Times, 4 June 1902, p.3). When cross-examined by the KC representing Murray Griffith, Whitaker Wright stated: "He had known Mr Murray Griffith intimately for years before this time" (Times, 4 June 1902, p.4). In his earlier evidence Wright had said "for some years the plaintiffs had had transactions with some of the defendants running into £1,000,000, and had had no written agreements, each party taking the other's word" (loc.cit.).

A key part of the London and Globe case was that all of the parties to the alleged contract had an interest in not setting down in writing the full terms of that contract. Of the parties to the alleged contract: one was a limited liability company, one an individual who was not a member of the Stock Exchange (H.A.Trower), and the remainder were all members of the Stock Exchange (see Appendix C for more detail). It was against the rules of the Stock Exchange for a member to act in partnership with a non-member. A member who breached this rule would not ipso facto be liable to action in the courts, but would be liable to potentially severe penalties within the Stock Exchange. In his opening address Sir Edward Clarke stated

it was essential from the point of view of the greater number of the defendants that the documents should be so arranged as to prevent the appearance of there being any common arrangement of partnership between the Stock Exchange members of the syndicate and other persons which would contravene the rules of the Stock Exchange (Times, 4 June 1902, p.3).

In the immediate wake of the London and Globe's default on 28 December 1900, some of those Stock Exchange members who suffered direct loss from that default seem to have been keen to press for action by the Stock Exchange against members they believed to have been acting in partnership with non-members (principally the London and Globe itself) in the "bull" operation in Lake Views. The Financial Times reported on Friday 4 January 1901 (p.3)

It is believed that several members of firms reputed to have large means are involved in the matter, and have been acting in partnership with outsiders, a course contrary to a rule of the House, and it is hoped that if it can be proved against them they may be made financially responsible for losses incurred by defaulting members, or will otherwise be punished severely.

The Stock Exchange does not, however, appear to have been particularly active in enforcing this rule except in cases of members having partnerships with "outside" firms of stockbrokers. The Financial Times editorial of two days earlier suggested that to seek to pursue legal remedies in the case of this particular "bull" operation would not be compatible with the understood effective rules of the game.

It was a case of a two-sided gamble, Mr Whitaker Wright striving to "bull" the market, reprehensibly enough we grant, and an organized clique of wreckers striving to "bear" it by equally reprehensible methods. All the operators were perfectly conversant with the conditions of the fight, and it is not according to Queensberry Rules to kick an opponent when he has been knocked down (F.T. 2 January 1901, p.2).

These words were directed at those members of the stock exchange "posing as injured innocents" (loc.cit.) who were clamouring for a prosecution of Whitaker Wright, but the

same logic would seem to be applicable re those clamouring for action against those stock exchange members perceived as having acted in concert with Wright in this venture. In an editorial eight months later concerning the affairs of another Whitaker Wright company, Le Roi, the Financial Times was equally laissez-faire in regard to "bulls" versus "bears" confrontations, stating: "The manipulation of a market ... is so common it is regarded as a venial offence" (F.T. 28 August 1901, p.2).

It is possible to interpret the issuance of writs by London and Globe against Basil Montgomery et al on 14 January 1901 (check) as a move by Whitaker Wright to placate (and divert) those stock exchange members agitating from 28 December 1900 for more direct action against himself. But it should also be pointed out that the issuance of those writs may have been "convenient" to at least some of those who were served with those writs. With such a major action pending in the "real" courts, it would have been very difficult for the Stock Exchange itself to seek to take internal disciplinary action against those of its members involved in that action. And once a special jury of the King's Bench Division had found against the existence of the alleged partnership agreement involving those members, their position would clearly have been yet more secure, in the face of any move to institute internal Stock Exchange disciplinary proceedings. The June 1902 trial gave those Stock Exchange members who had been "hammered" in consequence of the London and Globe an opportunity to air in public their grievances against those of their fellow Stock Exchange members they perceived to have been responsible (at least in part) for their plight. A series of these gave evidence for the plaintiff. F.C.Watts quoted Murray Griffith's partner William Harper as having told him on 21 December: "You are perfectly safe in carrying them [Lake Views] over. You may do so with the greatest confidence and you can eat your Christmas dinner in comfort" (Times, 6 June 1902, p.x). John and James Flower said that following their meeting with Young on 29 December, in which Young had visited them to try "to

justify himself in the matter", John had said "they seemed to have turned the honest men out of the House and kept the thieves in" (loc.cit.).

This type of evidence may have caused some embarrassment to Young and Murray Griffith et al. But it probably also served (together with the facts revealed in the trial more generally) to create further adverse publicity for Whitaker Wright himself. If these people who Wright claimed to have known so well, had proved to be so unreliable (in his allegations) was it not extremely reckless for him to have committed his shareholders' financial well-being on the basis of oral contracts with them, and to have signed under his company's seal legal documents which he argued did not adequately represent essential features of the "true" agreement? The 1902 trial also provided the KCs representing the defendants with the opportunity to make public accusations about Whitaker Wright's business methods, and for these to be reprinted in the press without fear of libel actions. Asquith stated that the downfall of the London and Globe "had nothing to do with" the sales of Lake View shares by the defendants, but "was caused by entirely different causes the operation conceived by Whitaker Wright was the last resource of a desperate gambler who saw ruin staring him in the face" (Times, 10 June 1902, p.x). Rufus Isaacs argued similarly that Whitaker Wright "was a man reduced to the most desperate straits – a man who hesitated at nothing for the purpose of bolstering up the concern which by his reckless speculations he had brought into this state of insolvency" (loc.cit.).

In the wake of this June 1902 trial, three main sets of developments occurred as far as Wright's position was concerned. The London and Globe's "Committee of Inspection" met and resolved to appeal against the decision in that case. As this resolution was not unanimous, it was necessary that it should be put before a full meeting of the London and Globe's creditors. But in the meantime a notice of appeal was lodged (The

Economist, 9 August 1902, p.1254) which may have dampened down for a further period discussions in the press about Whitaker Wright's actions in the Lake View Consols operation in November-December 1900. The "Committee of Inspection" also determined not to take action against the directors of London and Globe. This may have been because Wright's testimony in the June 1902 trial had indicated that his fellow directors were not consulted in Wright's commitment of the company to that operation. Secondly due process continued to unfold in two legal actions affecting Wright through the London and Globe's two sister companies: McConnel versus Wright seeking damages in respect of alleged misrepresentations in the Standard Exploration Company's prospectus of May 1899; and Pearce versus Wright seeking damages in respect of alleged misrepresentations in the context of the British America Corporation's flotation. Thirdly, and most importantly, some of the London and Globe's Stock Exchange creditors who had supported the company's case against Basil Montgomery et al, presumably in the hope of securing for the company at least some of the damages money claimed, now shifted the focus of their energies to pressing for a public prosecution of Wright himself. The Financial Times published a series of letters on 31 July 1902 under the heading "Mr Flower's correspondence with legal authorities" (p.5). John Flower was now pressing for the Director of Public Prosecutions to prosecute Wright, or for a private prosecution to be mounted should that not occur. It was Flower's action re the latter option in early 1903 that led directly to Wright's trial of January 1904.

4. The 1903 Trials

By the end of 1902 it was clear that the Director of Public Prosecutions was not going to initiate (and provide public funding of) criminal proceedings against Wright. Wright later claimed that it was the affirmation of this by the Attorney-General in the House of Commons on 19 February 1903 that caused him to regard himself as being at liberty to

leave the country for Paris on 24 February. However, on 16 January 1903 a public meeting was held at Anderton's Hotel in Fleet Street to garner support for a movement for a private criminal prosecution of Wright. A public statement by John Fowler re this movement was published in The Times of 9 January (p.5) providing background information and describing two possibilities: his own initiative to have the High Court order the London and Globe's Official Liquidator to prosecute, drawing upon the company's resources to fund the prosecution; and the alternative approach of setting up a public appeal for subscriptions to fund the estimated £5000 costs of such a prosecution. He said that while he had "nothing at all to do" with the latter movement, he would "cordially support" it. At the public meeting, Flower seconded the motion to establish the public appeal based movement and said: "They had been victims of one of the most heartless and gigantic swindles that this age had ever known ... they had a board of blind or 'dummy' directors ... auditors who were careless or indifferent to what they signed ... an unscrupulous managing-director, acting in collusion with the skilled accountants within the walls of the office ..." (Times, 17 January 1903, p.5). The meeting approved the motion unanimously and established a committee of six to manage things. Flower was elected to the committee, as was Arnold White who had told the meeting that: "When the revelations, which were inevitable if the inquiry took place, came to light, it would be found that those hangers-on about the purlieus of the Court, who had used the name of the King to shelter themselves, had been guilty of receiving money which was not honestly obtained" (loc.cit.). It was stated at the meeting that £1403 of the required £5000 had already been either subscribed or promised, including £500 from the London Stock Exchange.

Appendix A

London Stock Exchange members "hammered" as a consequence of the
London and Globe default

A. 13 firms (29 members) on Saturday 29 December 1900

	Names of members	Firm	Address
1.	Charles George Hale Frederick Charles Debonaire Haggard Charles Hampton Hale Harry Helby Wyatt	Haggard, Hale and Pixley	15 Austin-friars
2.	Sanders Hancock Blockey Aubrey Webster Buckingham	S.H. Blockey and Buckingham	5 Throgmorton Avenue
3.	George Gunn Hampton John Aubrey	Gunn and Aubrey	not known
4.	Frederick Arthur Cohen		not known
5.	David Henry Harman Cornfoot Edward James Cornfoot	Cornfoot brothers	not known
6.	John Acton Garle Graham Dudley Driver Charles Joseph Noakes	Garle and Driver	not known
7.	Bernard Cecil George Brooks Andrew George O'Farrell Frank Burden Boyer	Douglas, Junior and Co.	not known
8.	Henry James Rickards Arthur Lindsay Sloper	Rickards and Sloper	not known
9.	James Flower John Flower	James Flower and Co.	1 Angel Court
10.	John Herbert Baker Charles Edward Smith	Baker and Smith	not known
11.	Frederic Charles Watts Percy Frank Wright	F.C. Watts and Co.	not known
12.	Frederick Stobel Bouilly John Hyem Wolton	F.S. Bouilly and Co.	not known
13.	Lenox Stacey Farquharson Bartholomew Thomas Price Herbert Jacks	Bartholomew and Jacks	not known

B. 3 members on Monday 31 December 1900

Names of members	Firm	Address
Thomas Selby Egan	not known	not known
Guy Sison Barbour	not known	not known
Hon. Eustace Robert Fitzgerald	Fitzgerald and Co.	48 Gresham House

C. Wednesday 2 January 1901

Names of members	Firm	Address
Gilbert Richard Lewison Ogilvie	not known	not known

D. Thursday 3 January 1901

Names of members	Firm	Address
Arthur Spalding Main	not known	not known
Alexander Henry Unwin-Clarke	not known	not known
George Blundell jun.	not known	not known

Sources: columns one and two: Financial Times 31 December 1900, p.1; 1 January 1901, p.1; 3 January 1901, p.1; 4 January 1901, p.1.

column three: Men of Note in Finance and Commerce, 1900-01 (edited by Herbert H. Bassett)

Notes:

- In his chapter on "London and Globe" (pp.52-65), Aylmer Vallance Very Private Enterprise: An Anatomy of Fraud and High Finance (Thames and Hudson, London, 1955) stated that "twenty-eight firms had to announce inability to meet their Settlement Day debts" (p.62).
- In his chapter on "Whitaker Wright" (pp.89-100), R.A. Haldane With Intent To Deceive: Frauds famous and infamous (William Blackwood, Edinburgh, 1970) stated "no fewer than twenty [stockbroking firms] defaulted" (p.93).
- George Robb, White-collar Crime in Modern England: financial fraud and business morality 1845-1929 (Cambridge University Press, 1992) stated that Whitaker Wright's "crash in December of 1900 brought down twenty stock exchange firms which had bought the shares for him" (p.109).
- Alan Jenkins, The Stock Exchange Story (Heinemann, London, 1973), stated: "The crash caused the failure of thirteen stockbroking firms and twenty-nine members of the Stock Exchange, one of whom had been a member for fifty years. Another was on his honeymoon at the time, and another was commanding a battalion in South Africa."

Appendix B

Whitaker Wright Companies promoted from mid 1896 to December 1900

1. Lake View Consols (registered May 1896).
obtained its leases from the Adelaide company, The Lake View and Boulder East Gold Mining Company, for 160,000 of its 250,000 ordinary £1 shares. First allotment of shares was 24 August 1896.

Secretary and offices: Charles Lloyd.
2. Victorian Gold Estates Ltd (registered 25 July 1896)
prospectus published in Financial Times 3 November 1896, p.6.
Brokers to the issue: Messrs xxxx (check).
Secretary and offices: William B.Mitchell, 77 Bishopsgate St.Within.
350,000 ordinary £1 shares offered at par.
3. Ivanhoe Gold Corporation Ltd (registered xx October 1897).
prospectus published in Financial Times 25 October 1897, p.8.
Brokers to the issue: Messrs Haggard, Hale and Pixley, 26 Austin-friars;
Messrs Hardie and Turnbull, 43 George St, Edinburgh.
Secretary and offices: Charles Lloyd, 77 Bishopsgate St Within.
150,000 of its 200,000 ordinary £5 shares offered by London and Globe at par "for subscription by their shareholders (to whom alone allotments will be made)". Note that the remaining 50,000 of this company's shares had been allotted, as part of the consideration for the mining-leases, to a Melbourne-based company.
4. Le Roi Mining Company Ltd (registered 1898)
prospectus published in Financial Times 6 December 1898, p.10.
Brokers to the issue: Messrs Haggard, Hale and Pixley, 26 Austin-friars;
Messrs Vertue, Lubbock and Co., 43 Threadneedle St.
Secretary and offices: F.A.Labouchere, 15 Austin-friars.
200,000 ordinary £5 shares offered at par with priority to shareholders in the London and Globe, and in British America Corporation.
5. Standard Exploration Company Ltd (registered 11 February 1898)
prospectus published in Financial Times 16 May 1899, p.5.
Brokers to the issue: Messrs Haggard, Hale and Pixley, 26 Austin-friars.
Secretary and offices: W.J.Hiam, 43 Lothbury.
500,000 of its 1,500,000 ordinary £1 shares offered by London and Globe at par with priority to the shareholders in "the amalgamating companies". These were 14 companies with a combined nominal capital of £2,305,000 whose proprietors

had agreed to transfer their assets into Standard Exploration for a combined total of 1,000,000 of Standard Exploration shares to be credited as being fully-paid. The 14 companies were all Whitaker Wright group companies, though not all had been publicly issued. Ten had West Australian mining interests, 3 had New Zealand mining interests and one, The Austin Friars Finance Syndicate was "solely a financing corporation".

6. Caledonia Copper Company (registered 1899)

prospectus published in Financial Times 2 August 1899, p.10.

Brokers to the issue: Messrs Haggard, Hale and Pixley, 15 Austin-friars.

Secretary and offices: S.G. Bruff, 54 Old Broad Street.

150,000 ordinary £5 shares offered at par with priority to shareholders in the London and Globe.

7. Nickel Corporation Ltd (registered 1899)

prospectus published in Financial Times 21 November 1899.

Brokers to the issue: Messrs Haggard, Hale and Pixley, 15 Austin-friars.

Secretary and offices: S.G. Bruff, 54 Old Broad Street.

150,000 ordinary £5 shares offered at par with priority to shareholders in the London and Globe.

8. Le Roi No 2, Ltd (registered 31 May 1900)

prospectus published in Financial Times 11 June 1900, p.8.

Brokers to the issue: Messrs Haggard, Hale and Pixley, 15 Austin-friars;
Messrs Vertue, Lubbock and Co., 43 Threadneedle St.

Secretary and offices: W.B. Mitchell, 43 Lothbury.

120,000 ordinary £5 shares offered at par with priority to shareholders in the London and Globe, British America Corporation, and Le Roi Mining Company.

9. Rossland Great Western Mines Ltd (registered 28 June 1900)

10. Kootenay Mining Company Ltd (registered 21 July 1900)

prospectus published in Financial Times 24 July 1900, p.3.

Brokers to the issue: Messrs Haggard, Hale and Pixley, 15 Austin-friars;
Messrs Vertue, Lubbock and Co., 43 Threadneedle St.

Secretary and offices: W.M. Mitchell, 43 Lothbury.

80,000 ordinary £5 shares offered at par with priority to shareholders in the London and Globe and British America Corporations.

Held its first (statutory) general meeting 21 November 1900, Mr Sinclair Macleay Chairman.

11. Columbian Proprietary Ltd (registered 6 November 1900)

12. Baker Street and Waterloo Railway

prospectus published in the Financial Times 12 November 1900, p.6.

Brokers to the issue: Messrs Vertue, Lubbock and Co., 43 Threadneedle St.
Messrs Sandeman, Clarke and Co., 7A Austin-friars

Secretary and offices: E.B. Read,

13. Loddon Valley Goldfields Ltd (registered 24 November 1900)

prospectus published in Financial Times 26 November 1900, p.8.

Brokers to the issue: Messrs Haggard, Hale and Pixley, 15 Austin Friars;
Messrs Vertue, Lubbock and Co., 43 Threadneedle St.

Secretary and offices: W.M. Mitchell, 43 Lothbury.

150,000 ordinary £5 shares offered at par with priority to shareholders in the
London and Globe.

14. Moorlort Goldfields Ltd (registered 1 December 1900)

Appendix C

Defendants in London and Globe Finance Corporation (Ltd)

v. Basil Montgomery and Co. and others

(heard before Lord Chief Justice of England, High Court of Justice, King's Bench
Division 2 June 1902 – 12 June 1902)

	Party	"active member(s)" re the "Syndicate" and share in £500,000	Office address ¹
1	Messrs. Basil Montgomery and Co. (stockbrokers)	Lord Hardwicke ² (£75,000)	19 Throgmorton Ave
2	Williams, de Broë and Co.	Gerald W. Williams ³ (was "acting" for two of their clients) (£50,000)	6 Tokenhouse-yard
3	Murray Griffith, and Co., (jobbers)	Murray Griffith (£50,000)	15 Austin-friars
4	Lack and Allcard (jobbers)	Mr Allcard (£50,000)	not known
5	Charles Edward Tomlin and Co., (jobbers)	Charles Edward Tomlin, Joseph Pollack ⁴ (£75,000 combined)	not known
6	Mr Arthur Henry Young (member of Goldsmid and Co., jobbers)	As in Column One (£100,000)	15 Austin-friars
7	Mr Herbert Arthur Trower of Trower and Co., financial agents (not a member of the Stock Exchange)	As in Column One (£100,000)	15 Austin-friars

¹ Source: Men of Note in Finance and Commerce, 1900-01 (edited by Herbert H. Bassett) and Appendix D.

² Albert Edward Philip Henry Hardwicke, 1867-1904. 6th Earl, succeeded his father 1897. Was Under-secretary of State for India 1900-02 and 1903-04. Was Under-secretary of State for War 1902-03. Lord Rosebery in House of Lords 14 December 1900 criticized his appointment in light of his stock exchange position.

³ In evidence Gerald W. Williams stated that Arthur Henry Young was his brother-in-law. His clients agreed to advance £27,500 (Times, 11 June 1902, p.x).

⁴ Joseph Pollack was not a member of C.E. Tomlin and Co. In evidence Charles E. Tomlin said that he and Mr Pollack had agreed to lend approximately £50,000 "Roughly £30,000 was for his own account and £20,000 for Mr Pollack" (Times, 12 June 1902, p.3)

Appendix D

15 Austin-friars

This address recurs a number of times in the details of Whitaker Wright's business affairs. This appendix provides a summary.

1. On 1 April 1895, The London and Globe Finance Corporation (mark I) was registered with this as its address.
2. On 12 August 1895 The West Australian Exploring and Finance Co. Ltd notified a change of its registered office to this address (previously it had been 54 Old Broad Street).
3. On 1 March 1897, the "new" London and Globe Finance Corporation was registered with this as its address.
4. 1897 Post Office Directory stated:

For 15 Austin-friars, has five entries:

Trower, C, Financial Agent
Griffith, Murray, Stockjobber*
Goldsmid and Co., Stockjobber
London and Globe Finance Corporation Ltd
West Australian Exploration and Finance Corporation Ltd
(C.F.Shackel cited as secretary to last two.)

- * Murray Griffith appeared in the 1894 Post Office Directory as stockjobber at 10 Drapers Gardens. There are 25 entries in total for that address. Griffith's entry is followed by Slaughter, Mihill and Co., Stockjobber. Griffith's 1895 application for re-election to the Stock Exchange (he first became a member in 1877, having worked as a clerk to H.Doughty Browne since 11 January 1872) cites his residence as 7 John Street, Mayfair, his office as 10 Drapers Gardens. At 11 January 1895 he held 5030 ordinary shares in West Australian Exploring and Finance Co. Ltd (the third biggest single holding, with only four holdings exceeding 2000). At 14 August 1895 he held 1000 ordinary shares in the London and Globe Finance Corporation Ltd (mark I).