Foreign Banks, Africans, and Credit in Colonial Nigeria, c. 1890-1912
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Foreign banks, Africans, and credit in colonial Nigeria, c. 1890-1912[1]

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Since the mid-1970s very little research has been done on the subject of colonial banks in British West Africa.[2] Until then, however, the subject had received enormous attention from researchers,[3] whose work has in no small way contributed to our understanding of the origins and practices of these foreign banks. In particular, it is now widely accepted, for instance, that foreign banks in colonial West Africa lent much less to Africans (individually and corporately) than they did to the Europeans and that most of the credit received by Africans was obtained from non-bank sources. There is also fairly widespread agreement as to the reasons for the unhelpful attitude of the foreign banks. These include the lack of unambiguous title to assets that might otherwise have been used as collateral, the relatively high cost of handling large numbers of individually small transactions, and the high rate of bad debts experienced with African transactions. Perhaps the most contentious reason for the unhelpful attitude of the colonial banks is racial prejudice.[4]

To these factors already established in the literature, this article adds evidence of change and contingency. Specifically, it shows that foreign banks' policies on lending to Africans varied according to the particular interests of their shareholders. Using correspondence and testimonies given to commissions of inquiry, the article shows that the first British bank to establish itself in colonial Nigeria, the African Banking Corporation (later to become the Bank of British West Africa (BBWA)), was keen to lend to Africans as well as Europeans. It was challenged by a later entrant, Anglo African Bank (later to become the Bank of Nigeria), which was founded by interests closely linked to a powerful combine of British merchant houses. It will be shown that these British trading interests saw their new bank as a means to help preserve barter trade[5] and their monopolistic position in the export-import trade, a position which, as they perceived it, required that Africans be denied access to

[1] I am grateful to Christopher Napier, Gareth Austin, Lucie Chaumeton, and anonymous referees for their comments on earlier drafts of this article. The views expressed here and any attendant errors remain mine.

[2] Hopkins, 'Big business', p. 128.

[3] See, for instance, Rowan, 'Native banking boom', Ayida, 'Banking trends in Nigeria', Fry, *Bankers in West Africa*, Crossley and Blandford, *DCO story*, Newlyn and Rowan, *Money and banking*, Brown, *Nigerian banking system*, and Nwankwo, 'British overseas banks'.

[4] See Uche, 'Credit discrimination controversy', for a review of the debate.

[5] The usage of this term at the time also encompassed trade using commodity currencies. For the purposes of this article, the term 'barter' is defined to include trade using such commodity currencies. For a detailed study of one of these, see Hogendorn and Johnson, *Shell money*.

bank credit. The two banks finally closed ranks in 1912 via a merger. Subsequent foreign entrants into the Nigerian banking arena also signed cooperation agreements with the BBWA.[6] Such agreements, no doubt, inhibited competition. *A priori* one should expect that the advent of banking, serving both as a link between Africans and foreign savers and as a new source of credit to compete with other sources of capital, should lead to improved access to capital by Africans.[7] The evidence presented here shows that the advent of foreign banking in Nigeria did little to promote competition in commerce.

The article is divided into six parts. Part I traces the origins of the African Banking Corporation, subsequently the BBWA, while part II analyses the impact of seigniorage, arising from the use of British coins in the West African colony, on the pre-independence banking system, and helps to expose how seigniorage informed divergent interests in the Nigerian banking arena. Part III traces the origins of the Bank of Nigeria, its policies, and the events that led to its absorption by the BBWA, while part IV examines the different perceptions of Africans by the British colonial government and the colonial banks. Part V examines the colonial credit policies, laws, and judicial arrangements in the Nigerian colony, and part VI offers some conclusions.

I

With the imposition of colonial rule in Nigeria, the British soon put in place an economic and political system for the smooth functioning of this territory. The colonial government went on to demonetize certain coins then in circulation in an attempt to make British coins more prominent.[8] By 1880, for instance, formal legislation had been put in place in the Lagos colony to ensure this. The new regulation recognized as legal tender only British gold and silver coins and a few foreign gold coins.[9]

The resultant increase in the circulation of British coins was, however, not without its problems: such coins had to be transported from London to the West African coast and then overland to the interior. The cost of this transfer was not that of transport alone. There were also interest charges building up in London while the coins were in transit and during slack trading periods when the coins were stored locally in safes. The fact that Africans usually melted down such coins for use as jewellery

[6] Co-operation agreements after 1912 are beyond the scope of this article.
[7] Miracle, 'Capitalism', pp. 409-10.
[8] There were other general-purpose currencies in Nigeria even in the pre-colonial and pre-banking period. For instance, brass rods, manillas, and cowries were in use in some parts of the country. For a detailed discussion, see Hogendorn and Gemery, 'Continuity in monetary history', Hopkins, 'Currency revolution', Ofonagoro, 'From traditional to British currency', and Naanen, 'Economy within an economy'.
[9] However, this did not automatically ensure the disappearance of the demonetized currencies. The manilla, for instance, continued to be widely used in south-east Nigeria until 1948 when it was redeemed by the British: Ekundare, *Economic history of Nigeria*, pp. 84, 313.

further added to the demand for them.[10] This situation created the opportunity for the establishment of an institution such as a bank which would reduce the cost of importing and distributing the silver coins as well as take them off the hands of the traders during slack trading periods.[11]

This opportunity was first identified in 1871 when the Bank of West Africa was incorporated[12] in London under the Joint Stock Companies Acts of 1862 and 1867.[13] The bank, whose head office was in London, was to have its first two branches located in Sierra Leone and Lagos. Its prospectus dealt specifically with the need for and prospects of such an institution. According to the prospectus:

> The establishment of a Bank on the West Coast of Africa has long been felt as the only means of increasing European commerce and encouraging commercial intercourse with the Continent of Africa, as well as the only method of introducing additional Capital, the want of which is one of the greatest obstacles to the progress of the West African Trade, and to the development of its immense agricultural wealth, while the rapid increase in the commercial relations between Great Britain and West Africa, and the considerable investment of English capital there, as well as the vastly augmented means of communication by steam, demand the establishment of corresponding financial facilities, more especially the introduction of an efficient system of Banking.[14]

On the profitability of such an institution, the prospectus went on to contend that:

> No country at the present day offers a better opportunity for establishing a highly profitable Banking business than the British West African Colonies, where the benefits of a Bank are wholly wanting, and the facilities of trade are restricted to a few large merchants whose interests are naturally adverse to each other, but who will gladly avail themselves of its advantages when established. It is, moreover, certain that many English Merchants have only been deterred from trading with the West Coast of Africa by the difficulty which exists of obtaining reliable information as to the commercial standing of the native and other traders. This difficulty once removed, the trader of West Africa would be brought into direct communication with our home merchants through the medium of the Bank, and an immense increase of trade must result by which the Bank will necessarily profit largely.[15]

Despite its detailed analysis of the opportunities existing for a banker in the West African coast, there is no evidence that the bank ever opened for business.[16] It was not until 1891 that another party capitalized on

[10] Newlyn and Rowan, *Money and banking*, p. 27.

[11] Fry, *Bankers in West Africa*, p. 10.

[12] There appears to be no connection between this bank and the Bank of British West Africa which was established later.

[13] Bank of British West Africa archives, MS. 28528 (located at London Guildhall Library), document titled 'Draft Prospectus for a Bank of West Africa Limited to be Based at Lagos and Sierra Leone', *c.* 1879.

[14] Ibid.

[15] Ibid.

[16] Several letters from the registrar of joint stock companies enquiring whether the company was carrying on business or in operation were never replied to. The company was subsequently dissolved by a notice in *London Gazette* dated 5 June 1888: PRO/BT 31/2736.

this opportunity, thus marking the advent both of commercial banking and of foreign banks in the Nigerian colony.

The moving force behind the establishment of the African Banking Corporation in Nigeria was George William Neville. He was the Lagos manager of the Elder Dempster Company, which was then in control of the shipping business on the West African coast and therefore heavily involved in the importation of British coins into the colony.[17] With the support of the chairman of his company, Sir Alfred Lewis Jones, he persuaded the African Banking Corporation[18] to open an office in Lagos in 1891. Neville was appointed its first agent.[19]

The bank immediately took advantage of the disorderly system of currency supply to the West African territory. On 28 January 1892 it signed an agreement with the Crown Agents by which the bank was given the right to import new silver coins from the mint into Lagos colony free of charges for packing, freight, and insurance.[20] By May 1892, the bank further consolidated its position by becoming banker to the colonial government in Lagos.[21] The gains of the bank did not go down well with other European traders in the West African territory. Protests from these traders soon flooded the Colonial Office, claiming that its Lagos manager had an undue advantage by virtue of the fact that he was a banker, shipper, and trader.[22] Also, within the bank's first year of operation, Lagos was hit by a trade recession caused by a local conflict between two rival groups—the Ijebus and the Egbas. This hampered trade by making the movements of persons and goods very risky.[23] These developments were partly a long-term consequence of the abolition of the Atlantic slave trade which put pressure on these primary producers to develop alternative exports and adopt cost-saving measures. The strains involved in creating this new economy, combined with fluctuations in its performance, were instrumental to the partitioning of Africa in the late nineteenth century. In other words, the British authorities were made to discard the assumptions governing their traditional policy of limited intervention in West Africa.[24]

Protests by European merchants and the conflicts and uncertainty led the African Banking Corporation to have second thoughts about its Nigerian investment. It subsequently invited Elder Dempster Company to take over the Lagos operations of the bank from 31 March 1893. Elder Dempster instantly lost its preferential treatment over the importation of

[17] For a general history of the Elder Dempster Company and its banking interests, see Davies, *Trade makers*, ch. 5.

[18] Established in 1890 as a British limited company based in London, primarily to carry out banking business in South Africa. The bank was taken over by the Standard Bank of South Africa in 1921.

[19] Agreement dated 5 Oct. 1891 (BBWA/MS. 28538).

[20] Under this agreement, other interested parties were still free to order new coins from the mint with the Crown Agent's approval but they had to pay a premium of 1%.

[21] Fry, *Bankers in West Africa* p. 20.

[22] Okigbo, *Nigeria's financial system*, p. 78.

[23] Ibid.

[24] See Hopkins, *Economic history of West Africa* ch. 4, and, for diverging views, Law, *From slave trade to 'legitimate' commerce.*

silver and the governor of Lagos was soon instructed to close the official account with the bank.[25] The reason given was that the colonial government wanted such functions to be carried out by a public bank and not a commercial firm such as Elder Dempster. Perhaps because of the initial protests received, the colonial government also required that such an institution should be absolutely independent and restricted from engaging in any business other than that of banking.[26]

To get around this problem, a 'public' bank named Bank of British West Africa was established in May 1894.[27] Soon afterwards, the 'new' bank entered into an agreement with the Crown Agents of the colonies under which the duties and responsibilities of controlling and regulating the silver currency in Lagos were transferred from the government to the bank. This new agreement was slightly different from that which the government had with the African Banking Corporation in that it conferred on the bank the sole right of silver import. The bank swiftly consolidated its hold on the British West African territories by entering into similar agreements with the governments of the Gold Coast colony in 1896, Sierra Leone in 1898, and the Gambia in 1902.[28]

The bank enjoyed the privilege of being the sole agents for the importation of silver until 1912 when a special silver currency was introduced for British West African colonies.[29] This in itself was mainly a consequence of the disagreements over the control, sharing, and nature of the seigniorage[30] arising from the importation of silver to the area. The next section analyses the impact of seigniorage, arising from the use of British coins in the West African colony, on the pre-independence banking system.

II

The advent of banking, linked with formal colonization of Nigeria by the British, continued to advance the replacement of the other forms of currency by sterling.[31] An expanding volume of trade ensured the continued absorption of British silver into the British West African colonies. These imports, coupled with the prospects of further increases, soon

[25] Fry, *Bankers in West Africa*, p. 23.

[26] Evidence of Leslie Couper before Royal Commission on Shipping Rings: *Report* (P.P. 1909, XLVII), vol. III, Q. 9117.

[27] The majority shareholder was Sir Alfred Jones. Of the 3,000 shares issued and paid up at the opening of the bank, Jones took up 1,733 shares: Fry, *Bankers in West Africa*, p. 26.

[28] Evidence of Leslie Couper before Royal Commission on Shipping Rings: *Report* (P.P. 1909, XLVII), vol. III, Q. 9117.

[29] However, the bank secured the agency of the currency board in West Africa. In this capacity, it continued to deal with the movement of British money in West Africa, though relieved of control over its supply from the mint: Milne, *Sir Alfred Lewis Jones*, p. 48.

[30] Seigniorage is the profit governments make from issuing coins at a face value higher than the metal's intrinsic worth. It is the difference between the bullion price and the face value of the coins minted from it: Rosenberg, *Dictionary*, pp. 595-6.

[31] This relationship can also be linked to Hopkins's theory of the second partition of Africa: when the European firms operating there settled their boundaries within the continent. This began in the mid-nineteenth century, gathered pace after about 1900, and ended *c.* 1930. Indeed, there was a relationship between the advance of the flag and that of the business branch network, and the latter contributed to the spread of sterling: Hopkins, 'Imperial business in Africa', pp. 274-8.

enticed some colonial governors to suggest that their colonies be allowed to share in the profits accruing to the Imperial Treasury from the issue of such silver coins in the colonies.[32]

The Treasury, however, did not approve of this proposal, arguing that it was wrong to take advantage of Africans' love for silver coins, used as jewellery, for instance, to pass on unlimited quantities of imperial tokens into that continent. A further danger was that such coins could be returned to the United Kingdom.[33] Nevertheless, the Treasury concluded that it had no serious objection to offer should the colonies decide to adopt a token coinage of their own. It went on to caution that great care should be exercised to restrain the several governments from the temptation to over-issue, with consequent dangers to their commerce and their finances.[34]

It was in these circumstances that Joseph Chamberlain, Secretary of State for the Colonies, appointed a committee under the chairmanship of Sir David Barbour, in 1899, 'to collect information and report on the currency of the British West African possessions'. The Bank of British West Africa followed the proceedings of the Barbour Commission closely. In fact, Sir Alfred Jones gave evidence in favour of maintaining the status quo. He also convinced the Liverpool Chamber of Commerce to submit to the Colonial Office that the introduction of a special colonial currency would harm trade.[35] Any change in the status of the existing currency in the colony, it was believed, would adversely affect BBWA. A decision in favour of a special colonial silver currency would indeed have involved the appointment of a supervisory board. This, it was presumed, would have ended the bank's silver import monopoly.

Barbour subsequently concluded that a special currency for the West African colonies was indeed practicable and had several attractions. Given the preference of the merchants for the maintenance of the status quo, his report refused to recommend the introduction of a new coinage. Instead he advised that the Treasury should release half of the profits accruing from the issue of silver to the colonies.[36] While efforts were being made to reconcile the views of the Treasury with those of the colonies, silver imports, which totalled £360,220 in 1900, dropped to £154,730 in 1901 (see table 1). This dramatic fall brought into question the colonies' argument that there was no likelihood of a relapse in the demand for these currencies. This was perhaps one of the main reasons why the government decided to shelve the Barbour Report. It neither introduced a new silver coinage nor allowed the colonies to share in

[32] Newlyn and Rowan, *Money and banking*, p. 27.

[33] This would have influenced the money supply and may have had inflationary consequences.

[34] Newlyn and Rowan, *Money and banking*, p. 29.

[35] Fry, *Bankers in West Africa*, p. 39.

[36] Though this report was never published, its contents and recommendations were widely known at the time. See for instance, *D. C. Appointed to Inquire into Matters Affecting the Currency of the British West African Colonies and Protectorates* (hereafter Emmott Report) (P.P. 1912, XLVIII), p. 5, and Newlyn and Rowan, *Money and banking*, p. 30.

receipts from the seigniorage. The BBWA therefore continued to enjoy its monopoly of silver importation into the territories.

Table 1. *Imports of silver into British West Africa, 1900-1910*

Year	*Amount* (£)	*Year*	*Amount* (£)
1900	360,220	1906	506,600
1901	154,730	1907	700,400
1902	398,750	1908	194,000
1903	253,625	1909	669,600
1904	363,025	1910	1,259,450
1905	143,300	1911	874,850

Source: *Departmental Committee Appointed to Inquire into Matters Affecting the Currency of the British West African Colonies and Protectorates* (P.P. 1912, XLVIII), III, tab. 1

The matter was not put to rest, however, as the silver imports into the West African colonies continued to expand rapidly despite occasional fluctuations. In 1906, for instance, £506,600 worth of silver was imported into British West Africa and £669,600 worth was imported in 1909 (see table 1). Apart from pressures from the governments in the colonies for the issue to be opened again, the Treasury was worried about the increasing dangers of this system to monetary control in Britain.[37] The increase in the silver exported to the colony was rising, not just in absolute terms, but also relative to the total amount of sterling silver in circulation in the United Kingdom. For instance, in the five years ending in 1890, the sterling silver imported into British West Africa was equal, on average, to about 2.7 per cent of the sterling silver put into circulation in the United Kingdom. In the period 1906-10, this proportion rose to about 85 per cent (see table 2). These factors subsequently led to the appointment, in 1912, of another commission headed by Lord Emmott, to re-examine the matter.[38] Despite the preference of local business for the silver import system,[39] the Treasury had its way and the Emmott Commission recommended the establishment of a special silver currency

[37] Armitage-Smith, an official of the Imperial Treasury, once asserted that, 'From the point of view of the Imperial Government, I can only say that in my judgement the sooner the change from sterling to local silver currency is made the better. I regard the contingent liability connected with a coinage which is not, strictly speaking, a token coinage, because it is not submitted to a limit of legal tender, and which is being absorbed at such an enormous pace by a semi-civilised community, as a distinct danger to our currency arrangements, and I think that if the interests of the Imperial Government alone were concerned, so far from forcing sterling on the Colonies I should be inclined to move for substituting a local system': ibid., minutes of evidence, Q. 195.

[38] Their terms of reference were 'To inquire and to report as to the desirability of introducing into West Africa a special silver coinage common to the five British West African administrations, and also add to the desirability of establishing a joint issue of currency notes in the same territories, and to advise upon the measures necessary for the regulation of the special coinage if introduced or for the better regulation of existing currency in the event of a special coinage not being adopted.'

[39] Emmott Report, p. 8.

Table 2. *Analysis of British sterling silver issued for circulation in West Africa, in the UK, and in the remainder of the sterling area, 1886-1911*

Average p.a. for period	*West Africa*	*UK*	*Other territories*
1886-90	24,426	920,088	255,939
1891-5	116,323	761,039	124,461
1896-1900	257,090	796,425	367,233
1901-5	262,786	234,150	231,504
1906-10	666,190	781,073	325,347
1911	874,850	1,219,766	286,575

Source: as tab. 1

for the West African colony, with a caution on the use of seigniorage.[40] A West African Currency Board was subsequently set up, bringing to an end the BBWA's monopoly over silver imports into the territory.[41] Earlier, in 1899, the Bank of British West Africa lost its monopoly on operating in Nigeria with the advent of the Anglo African Bank, whose name was changed to Bank of Nigeria in 1905. The next section traces the origins of the Bank of Nigeria as a means to consolidate the bargaining position of a combine of powerful European merchants then operating in colonial Nigeria. It also examines the circumstances that led to the absorption of the Bank of Nigeria by the BBWA.

III

By the time the Niger Coast Protectorate[42] came into existence in 1893, there was already a community of powerful European traders in the territory, and they had put in place a working agreement for the purpose of stifling competition, cutting their costs, maximizing profits, and reducing to a uniform amount the prices paid for their commodities.[43] To

[40] According to the Emmott Report, 'after making every deduction for cost of coinage and for incidental expenses, there will, of course, be a very large "profit" representing the difference between the bullion and face value of silver currency supplied to British West Africa. That country has absorbed over 6½ million pounds (face value) in silver coin during the past 26 years and the absorption may be expected to continue even if not at the same rate. For many years to come the profit on supplying additional silver and on substituting local silver for silver of the United Kingdom now in circulation should be placed to reserve in order to meet any possible demand for redemption. It would be premature to express an opinion as to the probability that it will be safe and practicable at some date hereafter to use any subsequently accruing profit for administrative purposes. But we think that at a comparatively early date the interest earned by the reserve might be so used': pp. 8-9.

[41] For a detailed history of the West African currency board, see Hopkins, 'Creation of a colonial monetary system'.

[42] This comprised most parts of Southern Nigeria excluding Lagos.

[43] In a letter to the Colonial Office, Sir Ralph Moor, then governor of the Protectorate of Southern Nigeria, suggested that the 'firms of African Association, Messrs. Miller Brothers and Co. and the Niger Company, have at present a working understanding. This arrangement, though not amounting to a division of profit, is a guarantee that these firms respect the interests of one another and do not interfere with one another's existing trade. Any enterprise in opening up would require by the agreement to be undertaken jointly and no one of these firms can move alone. Further, the African Association and Messrs Miller Bros. and Co., who have rival trading establishments in all centres of trade in these territories, have a working agreement which includes other rival firms established

forestall the BBWA from gaining a foothold in their territory they set up the Anglo African Bank[44] in 1899 and made a strong bid for the job of importing silver into the colony and for the banking business of the government.[45] The Colonial Office knew that this bank would be of little assistance in the task of establishing the British currency in the colony, as the companies behind the bank believed that the maintenance of the barter system best served their interest.[46] As Hopkins has noted:

> As long as barter and transitional currencies remained firmly entrenched, newcomers were at a severe disadvantage, for they had to master the complexities of a pre-industrial monetary system, itself a serious barrier to entry; they had to acquire these strange currencies . . . and they had to be prepared to engage both in importing and in exporting. . . . No wonder the old-established European firms, far from trying to 'entangle Africans in the web of a money economy' strove to maintain the barter system for as long as possible.[47]

Such an attitude was against the interest of the colonial government which favoured monetization, believing it to be a policy that would make both governance and the lives of government employees easier.[48] The Bank of Nigeria was therefore ruled out and the colonial government then considered two other options: setting up its own bank[49] or inviting an established bank in British West Africa to commence operation in Southern Nigeria. The government opted for the latter course of action, but BBWA, which was the only candidate, was not keen to accept the offer. Officially Alfred Jones, who for practical purposes was BBWA, argued that it was not possible to open a branch of his bank in Southern

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at such centres as to the proportion of trade to be done by the representatives of each. In consequence of this latter agreement, there is a handing over of produce when the monthly proportionate division takes place. This system is of course a deadly one to the development of any enterprise in the territories and tends to a cutting off of prices in payments made to the producers': PRO, CO/520/15, Moor to CO, 26 Sept. 1902.

[44] Ofonagoro, *Trade and imperialism*, p. 376.

[45] The close link between the bank and the three leading European companies in Southern Nigeria could be seen from its interlocking directorships. According to Sir Ralph Moor, 'it will be observed from the prospectus of the Anglo African Banking Corporation that while their head offices are in London, in Suffolk Street, Strand, near to the offices of the Niger Company, there are agencies of the bank in Liverpool and Glasgow which are the offices of the African Association and Messrs. Miller Brothers and Co., respectively. There can be little doubt that nearly the whole interest of the Anglo-African Bank is in the hands of the three firms mentioned. The directors of the bank represent in England that they are anxious to undertake all legitimate banking business and to assist in the development of the territories. The directors of the three firms in question make the same representations, the Bodies representing the bank and the trading companies being identical': PRO, CO/580/15, Moor to Secretary of State for the Colonies, 26 Sept. 1902.

[46] PRO, CO/520/8, Butler memorandum dated 9 Sept. 1901, pt. A.

[47] Hopkins, *Economic history of West Africa*, p. 151.

[48] 'The Niger Company does not do any cash trade, and I have had considerable difficulty in arranging for Government employees and soldiers who are paid in cash to purchase necessaries and requirements at the company's factories for cash': PRO, CO/520/1, Sir Ralph Moor to Alfred Jones, 30 Jan. 1901.

[49] It was at the time proposed that a government savings bank be established. Such a bank was to encourage thrift among the African population. A monopoly of the import and issue of British silver currency and government patronage for this bank, it was argued, was sufficient to make it viable: PRO, CO/520/15, Moor to CO, 26 Sept. 1902.

Nigeria except at an initial loss which he was not prepared to bear.[50] His main fear may have been the possible repercussions both for the bank and for the other interests of Elder Dempster should they cross the path of the powerful European cartel then operating in Southern Nigeria.[51] These firms at the time had:

> practically the whole of the trade of Nigeria in their hands and they are apparently determined to prevent, by every means in their power, the establishment of a bank there fearing ... that banking facilities would in the course of time emancipate the native traders from the barter system under which the firms are at present able to make their great profits.[52]

In fact the expected line of action dreaded most by Elder Dempster, should the company set up its bank in Southern Nigeria, was the possibility that these European firms would retaliate by establishing an independent line of steamers to West Africa, which would have the effect of breaking Elder Dempster's monopoly.[53]

The colonial government was in a dilemma: the only bank operating in the territory had no interest in monetizing the economy, while the BBWA feared reprisals from the powerful European merchants if the bank established itself there. The governor also realized that the monetization of Southern Nigeria could not effectively take place without the cooperation of the powerful merchants.[54] He thus urged Alfred Jones to come to an agreement with local business.[55] However, it was not until 1903 that the BBWA accepted an invitation to become bankers to the colonial government and to have the sole right of importing silver into Southern Nigeria.[56] This was done, perhaps, with some form of guarantee by the colonial government against possible reprisals from the powerful European merchants in the territory.

The fact that the BBWA afforded facilities to African traders which rendered them independent of the large European trading firms greatly offended the powerful European community.[57] This was not surprising since credit to the Africans was, at the time, a sore point for some of these powerful European merchants.[58] But it was also one of the most important factors in the Bank of Nigeria's undoing as the Colonial Office

[50] Colonial Office report titled 'Currency in Southern Nigeria': PRO, CO/520/8, p. 280, 9 Sept. 1901.

[51] Ibid.

[52] Colonial Office letter dated 20 Jan. 1901: PRO, CO/520/10, pp. 520-1.

[53] Ibid, p. 521.

[54] 'At present, a cash system cannot be effectively introduced unless supported by the commercial community, for the firms trading here can always refuse to do a cash trade with the natives ... I should suggest that if possible, your bank come to some arrangement with the commercial community as represented by the firms mentioned on the lines of giving them some interest in the banking business—otherwise, I fear such business will only struggle along under difficulties': PRO, CO/520/1, Sir Ralph Moor to Alfred Jones, 30 Jan. 1901.

[55] 'The wisest course would be for the BBWA to absorb the Anglo-African Bank by passing over to the share-holders of it such reasonable interest in the concern as would be represented by the capital which they propose to subscribe': PRO, CO/520/1, Moor to CO, 31 Jan. 1900.

[56] Ofonagoro, *Trade and imperialism*, p. 389.

[57] PRO, CO/446/30, minute by Sir Montagu Ommanney, 1 April 1903.

[58] See below, p. 687.

would have nothing to do with anything that stood in the way of the rapid monetization of the territory. For instance, Montagu Ommanney, then a permanent under secretary in the Colonial Office, concluded that: 'So long as this spirit animates the Anglo African Bank, the less the Government had to do with it the better.'[59] The firm's 'report card' in its early days of operation did not help matters either. Moor, a senior government official, in 1902 noted that:

> the agents of the firms referred to out here watch the transactions of the bank with great care and are prepared to oppose it should any action be taken that would amount to the encouragement of any competition in trade. I am aware that the representative of the bank has already experienced such opposition and is subsequently unable to assist the natives in becoming shippers of produce or to encourage them in any way that would bring them into competition with the Europeans.[60]

He went on to assert that:

> The representative of the bank contends that were he given the exclusive right of shipping coins to the Protectorate and the Government banking account he would be in a position to disregard the opposition of the European agents and be prepared to carry out all legitimate banking business. In this view he is no doubt accurate and I have no grounds for doubting his good faith in the matter. He is however bound by the policy of his Directors, and I must candidly admit I think it likely that the bank will be used in preventing competition when I call to mind the admission of at least one of the Directors made to me personally in the presence of the Board when the Bank was inaugurated to the effect that its initiation was with the intent to protect the existing trade interests of the firms that started it.[61]

Moor also claimed that when he chided the bank's local manager for not encouraging the African traders, the manager replied that:

> I am ordered from home to carry on a legitimate banking business but I can not do it; it is impossible for me to do it, because if I do it, the agents out here will not come to me; if I were to make advances to the natives, very well, they will not take their cash from me and I shall lose all their business.[62]

He then concluded that the bank was formed by the Miller Brothers, Niger Company, and African Association:

> —there was no blinking the question—with the specific object of protecting their own trade and preventing any other bank coming in to the area where they carried on trade, and fostering rivals and assisting rivals in their area.[63]

These criticisms of the bank were partly dismissed and partly explained by Clifford Edgar, then one of the bank's directors. He claimed that Moor's assertion that the bank did not grant banking facilities to Africans was baseless since more than 400 accounts representing 75 per cent of the

[59] PRO, CO 446/30, minute by Sir Montagu Ommanney, 1 April 1903.
[60] PRO, CO/520/15, Moor to CO, 26 Sept. 1902.
[61] Ibid.
[62] *Report of R.C. on Shipping Rings* (P.P. 1909, XLVII), pp. 257-8.
[63] Ibid. p. 257.

total accounts of the bank were operated by coloured people. However, he admitted that the bank was less forthcoming in granting credits to Africans, and gave as the reason for this the provisions of the Recovery of Credits Proclamation of 1900 which contained the clause:

> No court of law in the territory of Southern Nigeria shall enforce against a native any obligation incurred by him towards any person not being a native of Southern Nigeria in respect of a commercial transaction so far as it may be based on credit.[64]

However, this was certainly not the main reason. In 1899 a key figure in the group that later formed the bank, A. Miller, made it clear that there were other reasons why the group's members did not support the granting of loans to Africans. Their preference for barter trade was made explicit. Miller gave the following rather long, but relevant, evidence before the Barbour Commission:

> Do you find the system of Barter on the river districts suit (*sic*) you, or would you prefer to carry on your business by means of cash transactions?—Certainly, I prefer it as it is—that is barter.
>
> I suppose you prefer it because it is more profitable?—Well, put it this way, we fear that if it was the Silver currency it would be less profitable.
>
> Well that is the same thing; you think if you used silver, the trade would be less profitable?—Yes I think it would. That is my reason. It has been barter for many many years, century after century, and it answers very well. I quite understand that that cannot go on always. It is a very slow civilisation on the Niger territories.
>
> Do you consider that the establishment of the Bank of British West Africa has been of general advantage to the trade of the Colonies?—I should not like to say that at all.
>
> You do not think so?—No, I do not think it is an advantage to the trade. I think it is the other way. In Lagos, for instance, it has played a lot of mischief by giving these irresponsible natives facilities.
>
> You would advocate that the Bank should only give facilities to certain individuals?—They come to trade, these natives; they get advances on produce; they have made a great deal of trouble in Lagos. We do not find that so much on the Gold Coast. It is an advantage so far as the real banking business is concerned.
>
> You would not propose that your bank at Old Calabar should make advances to native traders against produce; is not that a legitimate operation?—I do not know what my other colleagues' views are. I, personally, am very much against it. We might be driven to it for self-protection.
>
> Does the Bank of British West Africa engage in operations which, in your

[64] Ibid. p. 417. Note that this proclamation applied only to the territory of Southern Nigeria. At the time, Lagos was not part of this territory. This proclamation was repealed by the Supreme Court ordinance of 1908.

opinion, are not *bona fide* banking operations?—They give advances and facilities to native traders.

Just as they do to European traders?—Yes. I know that I should get no facilities from them against produce.

Is it not merely a question of the bank's capacity of forming an opinion of the relative credit of customers?—I do not think they could form an opinion so well as we could; they do not know the natives as well as we do.

You state that the Bank of British West Africa has been in the habit of making advances to irresponsible people; you think that is detrimental to you?—Yes I do.

Do you mean to your own trade or to the trade of the colony generally?—To the trade of the colony generally. It is not a wise thing.

The result of making these advances is, I presume, to enable traders to compete with other traders?—I do not know.

Is the result to cut down prices?—I do not think it (*sic*) . . .

What are the effects?—I have been told that the bank in Lagos has been responsible for a great deal of the breakdown of business there; a great many people had to leave it. I am only speaking from hearsay.

. . . do you know that the bank is making advances to men who, as a matter of fact, do not repay this money?—I could not say that, but I know the result of it. These people get money, and begin in trade, and order things here, and go on for a year or two, and then it ends in the Bankruptcy Court.

In the Niger Coast Protectorate, where you would have this bank, you would not adopt this system of making advances to the natives?—Not with my approval; if they were responsible persons, we would not mind.

If you had this bank, I presume you would expect to have an agreement which would practically prevent any other bank coming in on the same terms?—I do not know, I am sure. I would not like to say that. I could not speak for my colleagues. I do not think there would be room for two banks, but if another came, we might wind up. I do not think there would be room for two.[65]

His views were taken seriously by the colonial government. Several years later, the case was quoted as a justification for not granting the Bank of Nigeria monopoly over the import of silver. A colonial government official concluded that:

it is impossible not to remember, in this connection, the evidence given by Mr Miller before the committee which reported on the question of a local currency for W. Africa. He took strong objection to the establishment of the Bank of Br. W. Africa on the Ground that it afforded facilities to the native traders and so rendered them independent of the large European trading Houses.[66]

[65] Evidence before the Committee on the Currency of the West African Colonies (Barbour Commission), 1899. See PRO, CO/520/4, fos. 64-6.
[66] PRO, CO/446/30, minutes by Sir Montagu Ommanney, 1 April 1903.

The government therefore refused to have anything to do with the Bank of Nigeria. What was ironic was the choice of the BBWA despite the fact that, arguably, it had the same monopolistic instincts as the Bank of Nigeria and that its ownership structure was extensively entwined with that of an established monopoly within the territory—the Elder Dempster Company. To all intents and purposes, the bank's majority shareholder, Alfred Jones, was a monopolist. On joining Elder Dempster as a junior partner in 1879, his first aim was to:

> monopolise the whole shipping trade of the West African ports and with this object, he absorbed competing lines, British or foreign including the British and African Steam Navigation Company.[67]

In accomplishing these goals, he was more than successful.[68] Despite the clarity of his business objective and the closeness of the BBWA to the Elder Dempster Company, the colonial government still preferred his bank to the Bank of Nigeria which it accused of lacking independence by virtue of its connections with the powerful trading combines. The fact that the BBWA was also linked to a powerful shipping monopoly was not considered important by the colonial government. The reason for this may not have been unrelated to the close relationship that developed between Alfred Jones and Joseph Chamberlain, then Secretary of State for the Colonies.[69] Also, while the colonial government could tolerate monopoly in its own interest, it could not tolerate opposition to the monetization of the Nigerian colony mainly because it had the potential of hindering government operations in these colonies. In other words, the colonial government discouraged monopolies only when they contradicted the government's own interest. This perhaps explains why there was no attempt, at the time, to enact an anti-trust law to combat the 'sins' of the powerful European merchants of Southern Nigeria.

After the signing of the contract between the government of Southern Nigeria and the BBWA, the Bank of Nigeria launched an offensive to reverse the policy. The Shipping Rings Commission in 1907, for instance, provided the bank with an avenue to protest against the activities of the

[67] *DNB* (1912 edn., p. 379).

[68] Before the end of the nineteenth century, he had organized the West African Shipping Lines Conference which controlled all the shipping trade in the British West African colonies. Of the three lines co-operating in the conference, he managed two which, under the shipping agreement, monopolized the shipping trade between West Africa and the UK. The remaining service to the European continent was shared with the third partner: Ofonagoro, *Trade and imperalism*, pp. 372-3. An interesting scheme devised by the West African Shipping Line Conference to regulate shippers was the introduction of the deferred rebate system. Under this scheme, shippers paid 10% in excess of actual freight charges. This excess was refunded only if the company shipped exclusively, for the following six months, through a member firm of the Shipping Conference (see evidence of George Miller before the Shipping Rings Commission, *Report of R. C. on Shipping Rings* (P.P. 1909, XLVII), vol. III, Q. 4295-4325). For a recent study of the activities of the Elder Dempster Company, see Olukoju, 'Elder Dempster'.

[69] Ofonagoro, *Trade and imperialism*, p. 381.

BBWA and its associated companies,[70] and in May 1908 many of the West African merchants petitioned the new Secretary of State for the Colonies, the Earl of Crewe, urging him to end the monopoly of the BBWA over the importation of silver.[71] Concurrent with the protests there were moves to merge the two competing banks. From 1906, for instance, Alfred Jones had become very interested in a merger, and tried several times to achieve one, but without success.[72] In 1907 Lord Elgin, then the Colonial Secretary, also recommended that the two banks should amalgamate.[73] It was not until 1912, three years after the death of Alfred Jones, that the Bank of Nigeria was finally absorbed by the BBWA.[74] Thereafter the cooperation between these two interest groups extended even to the arena of shipping. Throughout the First World War, for instance, the Elder Dempster Company adopted policies that protected the interest of these big trading combines. Such policies did not usually favour the non-combine and indigenous firms.[75] The colonial government intervened only when its interest was at stake.[76] Although there had been some competition between banks, it had only involved two players with over-riding monopolistic instincts. The colonial government's sole involvement in this conflict had been to ensure the monetization of the Nigerian economy by favouring the BBWA and subsequently encouraging a merger of the two banks. Such policies could not deliver the benefits of open banking competition to Africans.

Although competition did increase in West African trade during the colonial period, this did not come about because of improvements in the capital markets due to the establishment of banks, as may have been expected *a priori*.[77] Increased competition was instead the result of other less direct changes in the capital markets as well as economic changes which helped reduce the importance of capital as a barrier to competition. Such changes include the provision of cheaper and improved transport and communication networks and the abolition of taxes and tariffs then associated with internal trade.[78]

Sections I to III have illustrated how the BBWA and the Bank of Nigeria emerged in British Nigeria backed and driven by divergent commercial interests, and how the two banks eventually merged their oper-

[70] John Holt in his evidence before the R. C. on Shipping Rings claimed that 'The conference Liners may now therefore be regarded as a monopolistic trust embracing the business of ocean carriers, traders, bankers, etc., with all other traders and even the local Governments as feeders and completely in their grip. It cannot be a healthy state of affairs for the interests of the community and the progress of West Africa': *Report of R. C. on Shipping Rings*, Minutes of Evidence (Q. 4823, 30 April 1907).

[71] Petition dated 26 May 1908: PRO, CO/520/73/3502.

[72] Fry, *Bankers in West Africa*, p. 67.

[73] Ibid.

[74] The BBWA subsequently enjoyed an uninterrupted banking monopoly in the Nigerian colony until 1916 when another foreign bank, the Colonial Bank, entered the Nigerian banking arena. This is beyond the scope of the present article.

[75] See Olukoju, 'Elder Dempster'.

[76] For a recent study of European firms gaining domination over Nigerian trading partners and unhindered by government, see Byfield, 'Innovation and conflict'.

[77] Miracle, 'Capitalism', p. 409.

[78] Ibid., pp. 409-10.

ations. The consequence of this was that Africans were denied any benefits that competition may have brought. The next section examines the different perceptions of Africans and the problems the BBWA faced when it tried to encourage the development of an environment that could facilitate lending to Africans.

IV

To some extent, the various foreign banks and the colonial government had different perceptions of Africans and different agendas as to how to treat them. The Bank of Nigeria was set up to keep other banks out of the territory of Southern Nigeria in order to perpetuate barter trade, and thus had a great measure of control over the Africans and their commodities. The Bank of British West Africa, by contrast, was a 'free-standing company'[79] set up to carry on banking business in the West African colony. With no specific banking experience to rely on, the bank kept an open mind and was interested only in exploiting the vast untapped African market. The key, it was believed, was not to shut the Africans out, but instead to devise a system that promoted safe credit lending to them.[80] In 1905, for instance, Alfred Jones wrote to the Under-Secretary of State for the Colonies suggesting the establishment of an agricultural bank in West Africa for the purpose of making advances to Africans. He identified the existing African system of land tenure, which did not recognize any individual private property in land, as the main impediment to such a scheme.[81] To counter this obstacle, Jones recommended that such credit should be extended through tribal chiefs who should be empowered to stand surety, using community land, for the individual cultivator who sought the credit. After all, he further argued, chiefs had the right to collect certain tolls on behalf of the government and received government subsidies which could be forfeited in the event of a default and in fact, as a last resort, could impose some form of local tax in the event of a default by one of their subjects.

The Colonial Office sought the opinion of the governors of the West African colonies on this matter. The governors in turn canvassed the views of residents and district officers in their respective colonies. The response was negative on the grounds that very few Africans could be trusted to utilize the loans for the purpose for which they were intended. One of the respondents asserted that:

> the Natives would never dream of employing the money so obtained to improve their farms but would without doubt use it in purchasing gorgeous cloths to deck themselves with.[82]

[79] This has been defined by Wilkins as a company registered in England or Scotland to conduct business overseas, most of which did not grow out of the domestic operations of existing enterprises that had headquarters in Britain: Wilkins, 'Free-standing company', p. 281.

[80] Cowen and Shenton, 'Bankers, peasants, and land', p. 29.

[81] Ibid.

[82] Quoted in ibid., p. 31.

Based on the submissions of the district officers, Lord Lugard, then governor of the northern province, similarly advised very strongly against the establishment of such a bank, arguing that, however laudable its aims were, it could only encourage the inherent extravagance of the Africans, lead to ceaseless litigation, and irreversibly wreck the finances of small chiefdoms.[83] Following these assertions, the Colonial Office again shelved the proposal.[84]

Ofonagoro broadly agrees with these arguments by Cowen and Shenton but asserts that there was a change in policy as regards the BBWA's practice of 'aiding' Africans after the 1912 absorption of the Bank of Nigeria. This he suggested was likely to have been part of the 'unstated terms of the amalgamation agreement', arguing that:

> given the interests of directors of the Bank of Nigeria and their policies regarding the availability of credit facilities to African traders, it is not unreasonable to assume that their wishes in this matter were to be respected as a matter of policy.[85]

Ofonagoro's view may not be correct. There is evidence to show that even after the amalgamation in 1912, the BBWA continued to press for the establishment of an agricultural bank to help African farmers. In 1913 for instance, the 1905/6 debate on agricultural credit to Africans was resuscitated by the management of the BBWA in a letter to the Nigerian colonial governor, dated 22 December.[86] Before replying, Lord Lugard consulted the regional governors of the northern and southern provinces of Nigeria. Both advised against the establishment of such a bank. For instance, C. L. Temple, then lieutenant governor of Northern Nigeria, asserted that:

> an Agricultural Bank would not serve any useful purpose in this country. I think that they would rather foster the tendency, naturally very strong in the African, to borrow money. The only security which the agriculturist would give would be his Right of Occupancy, or customary legal title. At present, in this country he does not realise that a Right of Occupancy or such title has an exchange value and it is not at all desirable that he should realise this.[87]

Based on this feedback Lord Lugard, who was now Governor General of Nigeria, once again refused to sanction the plan for the establishment of an agricultural bank.[88] It was this deterrent action on the part of the colonial government—mainly because of its fears that such schemes could lead to the alienation of African lands via mortgaging—that prevented

[83] Lugard to Couper, 18 Feb. 1914: PRO, CO 583/25, fo. 42.

[84] This widespread opinion that the colonial officers held about the Africans may be explained by the existence of a homogenous bureaucracy at the time. This imposed a coherent set of values among colonial officers: see Ehrlich, 'Building and caretaking', p. 650.

[85] Ofonagoro, *Trade and imperialism*, p. 390.

[86] Referred to in Lugard to Couper, 18 Feb. 1914: PRO, CO 583/25, fo. 42.

[87] Ibid.

[88] Ibid.

the proliferation of credit to Africans[89] rather than the so-called unstated terms of the amalgamation agreement between the Bank of Nigeria and the BBWA.[90] The Colonial Office simply did not trust Africans when it came to loan repayment. The fear that Africans would lose their land therefore became the defining feature of the West African lands policy.[91]

It was thus the lack of cooperation from the colonial government that discouraged the BBWA from extending credit to Africans.[92] By the time of the absorption of the Bank of Nigeria by the BBWA, the powerful European combines may have realized the difficulty in maintaining its barter trade and thus changed its attitude on credit to Africans. The more the colonial government succeeded in getting its currency accepted, the less the potential for such barter trade. Furthermore, the socio-economic changes of the time gave rise to increased demand for credit and the establishment of other credit institutions and systems such as money lenders.[93] The provision of credit to Africans had then been recognized by some foreign firms as an industry they could profit from. It was partly the widespread belief that Africans were not creditworthy, coupled with the fact that they usually had no secure collateral to offer, that made the BBWA seek the amendment of the existing laws in order to allow for the use of land as security. As already mentioned, the colonial government refused to allow for any such changes. The next section examines the pre-colonial and colonial credit policies, laws, and judicial arrangements in Nigeria.

V

Prior to the advent of banking in colonial Nigeria, credit (trusts) was highly developed in several parts of Southern Nigeria.[94] Types of indigenous credit systems at the time included rotating credit institutions such as the *esusu* and the *ojo*. However, these were used mainly for the purposes of savings rather than to raise capital. One of the indigenous credit mechanisms for raising large sums of capital was the *iwofa* system (pawning) which involved the use of labour by way of interest on a loan until it was fully repaid.[95] In other words, it was not unusual for people

[89] 'Communal ownership [of land] ... was believed to prevent reckless alienation of land, discourage absentee landlordism, and halt the formation of a landless rabble. It secured the chiefs in their traditional authority, and thereby strengthened their role as recruiting agents for the colonial states': Phillips, *Enigma of colonialism*, p. 59.

[90] Jones may have had other motives. For instance, it has been suggested that the proposal of Alfred Jones, who at the time controlled both the largest bank and one of the largest shipping lines in West Africa, to issue credit to Africans was no altruistic gesture. Rather, it was a clever competitive bid to undercut existing merchant firms and establish commercial supremacy through realizing direct control over African credit, thereby ensuring control over the output from small farms: Cowen and Shenton, 'Bankers, peasants, and land', pp. 34-5.

[91] See Phillips, *Enigma of colonialism*, ch. 4.

[92] Cowen and Shenton, 'Bankers, peasants, and land', pp. 29-32.

[93] Falola, 'My friend the Shylock', p. 405.

[94] Ofonagoro, *Trade and imperialism*, p. 97.

[95] For a description of these and other types of indigenous financial institutions, see Falola, 'My friend the Shylock', and Austin, 'Indigenous credit institutions'.

to be used as security (pawns) for debt, and debt slavery was recognized in the customary law of several African communities.[96] Credit was also well developed in Afro-European trade. It was, for instance, the norm for the European traders to use African middlemen and give them advances for the purpose of getting their goods into the African hinterlands as well as to bring African products out to the coastal areas.

By the later part of the nineteenth century, some of these African middlemen had become extremely powerful, to the detriment of the interests of European traders. An example was King Ja Ja of Opobo, who had a commercial organization which stretched over large areas and employed several thousand people in various capacities such as canoemen, traders, labourers, warriors, and local buying agents.[97] By the 1880s, Ja Ja and some middlemen from Brass and New Calabar were attempting to break into the export trade, hitherto a preserve of the European firms. In fact, Ja Ja succeeded in arranging to ship his palm oil to a Birmingham firm.[98] His entrance into the export trade, until then a preserve of the European firms, may have precipitated his subsequent deposition by the colonial government in 1887.[99] Despite the deposition of Ja Ja, his hierarchy of middlemen remained in place.[100] The continuing squabble among the European traders further strengthened their position.[101] The advancement of credit to Africans remained a tool for competition among the European traders. The German traders in particular saw the use of credit as a tool for colonizing the middlemen and subsequently achieving trade monopoly with the hinterland. As noted by Lord Lugard:

> Liberal credit was a feature of German methods of trade, and added greatly to their popularity with the natives as traders. . . . These credits were regarded rather as an advance of capital for trading purposes than as a mere loan and their object was to exclude competition and create monopolies.[102]

Such liberal credit policies sometimes led to some arguably unjustifiable credits being granted to the Africans.[103] Some European traders also used the opportunity to introduce 'loan shark' techniques into their transactions with the Africans. For instance, the agents on a specific river sometimes combined to insist on paying a low and uniform price for the produce brought by the middlemen from the hinterland. With inadequate storage

[96] Such practices have long been abolished. For further insights into pawning in pre-colonial and colonial Nigeria, see Igbafe 'British rule in Benin', Oroge, 'Iwofa', and several of the articles in Falola and Lovejoy, *Pawnship in Africa.*

[97] Gertzel, 'African and Europeans', p. 362.

[98] Ibid., p. 365.

[99] Ibid., pp. 363-6; Nwabugwuogu, 'Wealthy entrepreneurs', p. 365.

[100] Nwabugwuogu, 'Wealthy entrepreneurs', p. 367.

[101] While there were frantic efforts to unify the British trading interests in the region (see Flint, *Sir George Goldie*, ch. 5), the same could not be said of the German trading interests.

[102] *Report of Sir F. D. Lugard* (P.P. 1919, XXXVI), p. 41.

[103] 'A prominent West African Merchant remarked to me that the abuse of the system of giving credit to native middlemen was the curse of South Nigeria. He had been present in court when a case was heard in which a native with a borrowed canoe and labour, who on his own showing had never possessed £5, was found to be owing four different firms a sum of about £700 for goods supplied without any guarantee whatever': Lugard, *Dual mandate*, p. 480.

facilities and the risk of losing goods to rodents and pests, prolonged resistance was certainly not a viable option. The agents would further take advantage of the middlemen by giving them goods on credit repayable in produce at the dictated price, in some cases for upwards of two years.[104] Such tactics often proved counter-productive since the middlemen often reneged on their promises, selling their produce to other European merchants instead. Such European buyers were usually tempted to break with their friends by the prospects of securing for their firms a much larger share of the trade.[105]

The proclamation by the British government of the Oil Rivers Protectorate, in 1885, led to the establishment of consular courts for the territory. This brought most credit disputes under the jurisdiction of the consular courts. Faced with a shortage of staff, it became convenient for the consular government to discourage credit sales in order to reduce the court cases arising from such transactions.[106] In 1894 the protectorate government adopted a credit policy aimed at discouraging the granting of credit to Africans. In doing so, the government was encouraged by the British trading interests in the territory.[107] These British firms believed that their German counterparts were granting excessive credit to the Africans with the aim of gaining the upper hand in Afro-European trade. The new credit policy stated that:

> 1 No assistance will be rendered by the Consular courts of the protectorates in recovering trusts issued by the European traders to the natives after 1st December, 1894.
> 2 Proceedings may be taken in the Consular Courts for the recovery of 'Trusts' issued by European Traders to Natives prior to the dates above mentioned and each case shall be dealt with on its merits.
> 3 Such proceedings must be taken before 1st July, 1895, after which no 'Trust' can be recovered through the Consular Courts of the Protectorate.[108]

This was followed by the Recovery of Credit Proclamation of 1900.[109] These regulations were supported by the British colonial government on the grounds that:

> It was considered that 'trust' was given out to such an extent, and so recklessly, that legitimate trade was being seriously damaged by it: and with the small staff at the disposal of the Administration, it was found impossible to collect these 'trusts' through the consular courts and it was also deemed advisable to discourage the giving out of 'trust' in every way possible.[110]

[104] Ofonagoro, *Trade and imperialism*, p. 99.
[105] Ibid.
[106] PRO, CO 444/2, Moor to CO, 30 Oct. 1899.
[107] See Ofonagoro, *Trade and imperialism*, p. 101.
[108] The coming into force of this law as well as the statutory limitation of the prosecution of cases entered into between 1891 and Dec. 1894 was extended to 1 Dec. 1895: Ofonagoro, *Trade and imperialism*, p. 101.
[109] This proclamation, which had the same objective of limiting credit to Africans, was repealed by the Supreme Court ordinance of 1908.
[110] Moor to CO: PRO, CO 444/2, 30 Oct. 1899.

However, it is unlikely that the pressure being put on the consular court staff was the main reason for the proclamation. Prior to the declaration of the Southern Nigeria Protectorate, the European and African traders had put in place an effective and efficient way of settling such trade disputes: courts of equity. On the inception of such a court at Bonny, a commentator noted that:

> A commercial or mercantile association was ... formed, the members being the chief white and black traders in the place, and the chair is occupied by the white supercargoes [chief traders] in monthly rotation. All disputes are brought before the Court, the merits of the opponents are determined, and with the consent of the King, fines are levied on defaulters. If any one refuses to submit to the decisions of the Court, or ignores its jurisdiction, he is tabooed, and no one trades with him. The natives stand in awe of it and readily pay their debts when threatened with it.[111]

With such a system in place, the consular courts did not need to inherit such trade disputes to begin with.[112] If indeed the workload of the consular courts was an issue, it would be expected that the courts of equity should have been encouraged to continue dealing with such cases with some occasional supervision from colonial officers. It is therefore more likely that the protection of the British trading interests was the main reason behind the recovery of credit legislation. The British trading companies in the territory, not surprisingly, quickly moved to exploit the new scenario employing the African middlemen more as commission agents than as independent brokers.[113] In effect these African middlemen, who in the late nineteenth century possessed enormous powers and were even beginning to challenge the European merchants in export trade, were gradually but continuously reduced to mere commission agents totally dependent on the European merchants for their survival.

The colonial credit legislation therefore assisted in curbing the powers of the African middlemen and in entrenching the supremacy of the British in Anglo-African trade. The initial discouragement to granting credit to Africans could have been a trade-motivated ploy aimed at curbing the independence of the African middlemen. Linking it to the lack of creditworthiness of the Africans, and its attendant litigation consequences, may therefore not have told the whole story. Unfortunately, this African trademark of lack of creditworthiness stuck and became the popular line of defence for most of the colonial banks when they adopted blanket credit policies discriminating against all Africans. For instance, the official history of the Bank of British West Africa defended the unhelpful attitude of British banks to Africans on the grounds that Africans:

> did not as a rule, stick closely to the terms on which bank credit was granted. It was a frequent experience that the bank lent working capital to an African for his business, but the owner would divert the cash into buying or building houses as a private investment. The bank would then find, when it came to

[111] Quoted in Dike, *Trade and politics*, p. 126.
[112] See Latham, *Old Calabar*, chs. 6, 7, for further discussions on courts of equity.
[113] Ofonagoro, *Trade and imperialism*, p. 107.

repaying the debt, that the business had been 'milked' of capital and the loan could not be recovered.[114]

There is no doubt that some of these claims were indeed based on fact. However, they do not highlight the fact that the credit policies of the foreign banks, with respect to lending to Africans, varied depending on the specific interests of their shareholders.

VI

A priori, one would expect the advent of banking institutions to enhance the development of a capital market and competition in a country's economy. This article shows that the interests that led to the development of banking in colonial Nigeria were not such as to promote competition in the colony. Although the first two firms in Nigerian banking had emerged to support vastly differing commercial interests, they all showed monopolistic instincts in the field of commerce (steamers, import-export trade) that backed them. This may explain why they eventually colluded to form an anti-competitive trust. Significantly, this merger was encouraged by the colonial government. This worked against the interest of the Africans and robbed them of any benefits that banking competition may have brought. Evidence in this article suggests that the colonial government intervened in the anti-competitive behaviour of British firms only when its own interest was at stake.

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[114] Fry, *Bankers in West Africa*, p. 116.

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