

**TOWARDS THE 'GREAT DESIDERATUM'.
THE UNIFICATION OF THE ACCOUNTANCY
BODIES IN ENGLAND, 1870-1880**

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CONTENTS

<i>Foreword</i>	<i>i</i>
<i>Acknowledgements</i>	<i>iii</i>
<i>Executive Summary</i>	<i>v</i>
1. INTRODUCTION	1
Background to the project	1
Sources and methods	5
Style and structure	7
 PART ONE: ORGANISATIONAL PROLIFERATION	
2. PROFESSIONAL ORGANISATION IN ENGLAND, 1870-1871	9
Explanations for professional organisation in England, 1870-1871	9
The significance of the Bankruptcy Act, 1869	11
The Incorporated Society of Liverpool Accountants	17
The Institute of Accountants in London	21
The Manchester Institute of Accountants	24
Summary	27
3. OPPORTUNITY LOST. THE PURSUIT OF A NATIONAL ORGANISATION, 1870-1874	29
Early calls for a central institute	29
Formation of the Society of Accountants in England	32
Demands for a national institute of accountants	39
The unsuccessful attempt to create an accountancy organisation for the UK	45
Summary	49

CONTENTS

PART TWO: EXTERNAL AND INTERNAL PRESSURES FOR UNIFICATION

4. THREATS TO THE CONTROL OF WORK. ACCOUNTANTS AND BANKRUPTCY LAW REFORM	51
The defects of the Bankruptcy Act, 1869	52
A profession under siege: criticism of accountant trustees	56
Accountants and the judiciary	58
Accountants and the Comptroller in Bankruptcy	61
Accountants and the Select Committee on the Companies Acts	69
Accountants and trade and commercial associations	71
Accountants and the press	72
Summary	77
5. INTER PROFESSIONAL AND INTRA OCCUPATIONAL CONFLICT: LAWYERS, BONA FIDE AND <i>SOI-DISANT</i> ACCOUNTANTS	79
Inter professional conflict: accountants and lawyers	80
Accountants, lawyers and the Bankruptcy Act, 1869	80
Lawyers, so-called accountants and organisational change	83
Intra occupational conflict: professional and <i>soi-disant</i> accountants	85
‘A refuge for the destitute’	86
‘So-called’ accountants and calls for organisational change, 1874-1879	90
Summary	99
6. ORGANISATIONAL INEFFECTIVENESS: RESPONSES TO EXTERNAL THREATS TO PROFESSIONAL TRUSTEISM	101
Government and bankruptcy law reform	101
The threat to accountants	103
Diverse organisational responses	105
Summary	117

CONTENTS

7. ORGANISATIONAL INEFFECTIVENESS: INSTITUTIONAL DIMENSIONS	119
The Incorporated Liverpool Society of Accountants	120
The Manchester Institute of Accountants	121
The Institute of Accountants (in London)	128
Protecting the members	132
Advancing professional knowledge	134
Prize essays, lectures and publicity	135
Examinations	137
Challenging the institutionalised elite	139
Ernest Cooper's letter and memorandum	145
A new proactivism and receptivity to change	148
Summary	151
 PART THREE: EFFECTING ORGANISATIONAL CHANGE	
8. THE SHEFFIELD INSTITUTE OF ACCOUNTANTS, 1877	153
<i>Soi-disant</i> accountants in Sheffield	154
Bankruptcy revelations in the Sheffield press	157
Formation of the Sheffield Institute of Accountants	162
Summary	166
9. INCORPORATED, CHARTERED OR SWORN ACCOUNTANTS. DEBATES ON ORGANISATIONAL CHANGE, 1874-1878	169
In pursuit of the 'great desideratum'	169
From charter to statutory incorporation	174
Bankruptcy law reform and incorporation	177
An alternative form of licensing: sworn accountants	183
Summary	186
10. OPPOSITION TO THE INCORPORATION BILL	187
The Accountants Institute Bill	187
Reactions to the Incorporation Bill	189
Organisational proliferation resumed	192
Society of Accountants in England	197

CONTENTS

The conferences in January 1879	198
Summary	202
11. IN SEARCH OF COMPROMISE, 1879	205
Opposition intensifies	205
From exclusivity to inclusivity. Amending the Incorporation Bill	212
Unity found	218
The Incorporation Bill and bankruptcy law reform	226
Summary	227
12. FROM INCORPORATION BILL TO ROYAL CHARTER, 1879-1880	229
Lord Redesdale's intervention	229
Opposition resurfaces	232
The grant of the Royal Charter	237
The Incorporation Bill, 1880	240
Chartered accountants and bankruptcy trusteeships	241
The charter, so-called accountants and occupational differentiation	246
Other developments and windings-up	248
Summary	250
13. CONCLUSIONS	253
From institutionalised sectionalism to unification	253
A widespread desire for change	256
A compelling external stimulus	258
Alignment with the public interest	260
Ensuring inclusivity	261
Aftermath	263
BIBLIOGRAPHY	267
APPENDIX A <i>DRAMATIS PERSONAE</i>	281
APPENDIX B ERNEST COOPER'S LETTER AND MEMORANDUM, 1877	289

CONTENTS

APPENDIX C	ACCOUNTANTS INSTITUTE BILL - AN ACT	295
APPENDIX D	INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES CHARTER OF INCORPORATION, 1880	313

FOREWORD

Our view of the world is often local and lacking in vision. At a time when the UK accounting profession is still struggling coming to terms with the full implications of the loss to international bodies of the power to set accounting and auditing standards, it is salutary to see from this monograph the parallel with the time when the foundations of the profession were being laid in England, and accountants based in individual cities such as London, Liverpool and Manchester sought to control their own destiny without much regard for, or understanding of, the position elsewhere.

The monograph is a fascinating study of the birth and early development of the accounting profession in England. Although the period covered by the research is firmly in the second half of the nineteenth century, the picture that it paints of these scandals, and of the political scheming and horse-trading that accompanied the institutionalisation of the profession would not be out of place as the subject of a modern day television drama or political ‘inside story’.

The organisation of the profession of accountancy, initially in London and later in other major English cities, was a response to various bankruptcy related crises of the day, which were bringing the infant accounting profession into serious disrepute. The root of the professionalisation process in England was not audit, but the Bankruptcy Act 1869 and its introduction of the successful Scottish system of creditor-elected trusteeships to England and Wales. This statute upset the appercart by disturbing the existing relationships between solicitors and public accountants in insolvency work and created a real threat for both by allowing this type of work to be taken on by anyone calling themselves ‘an accountant’. It also threatened the public’s confidence in the whole insolvency process because such individuals might take advantage of the opportunities to enrich themselves without having

regard for their wider obligations to creditors, and thereby bring condemnation on all those practising as accountants.

It was therefore this threat that caused the more established public accountants to try to form themselves into societies and institutes excluding unproven practitioners. The city-based nature of the earliest organisations, and the steps that they took to restrict further membership to those and only those that the founders approved of, led to the setting up of disparate and competing geographical organisations across England and Wales.

The research report then goes on to explain how, in the space of ten short years, these disparate organisations were brought together under one roof as a single Institute of Chartered Accountants in England and Wales. This is particularly interesting given that at the start of the ten year period the organisations concerned had been utterly disdainful of each other and apparently wanted nothing to do with any merger; also in that it took the Scottish accountants, who had formed regional societies considerably earlier than in England, nearly one hundred years to complete the same process.

The Research Committee of The Institute of Chartered Accountants of Scotland has been happy to sponsor this project and is pleased that the research is now becoming available at a time when there is public interest and debate over the accounting profession and its future. In a year when this Institute is proud to celebrate the 150th anniversary of the founding of its earliest antecedent, we are particularly pleased to be able to publish this monograph covering the foundation of our younger, but much larger, sister body in England and Wales. The Research Committee also hopes that this project will be seen as a valuable contribution to the history of our profession, now so clearly international as well as national in outlook and responsibilities.

Nigel Macdonald
Convener
Research Committee
May 2004

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Access to archival material was central to the success of the project. The Presidents of the Liverpool Society of Chartered Accountants, the Manchester Society of Chartered Accountants, and the Sheffield District Society of Chartered Accountants gave permission to consult the manuscripts in their care. A warm welcome was offered by the administrators and secretarial staff at these local societies.

I appreciate the assistance of staffs in the Guildhall Library, the National Library of Scotland, the British Library, the Public Record Office, the House of Lords Record Office, Cardiff University Library, the ICAEW Library, the Library of the Law Society of England and Wales, and the local history and archives departments of the city libraries in Liverpool, Manchester and Sheffield. Malcolm Anderson generously alerted me to the existence of printed rules and regulations of the Society of Accountants in England.

Grateful thanks also to David Sugarman of Lancaster University for insights to the history of the legal profession, and to Martin Forsyth and Robbie MacArthur for research assistance.

EXECUTIVE SUMMARY

The monograph reports the results of a third ICAS sponsored project on the history of the organisation of the accountancy profession in the UK. Whereas previous studies in the series (Shackleton and Walker, 1998, 2001) examined the reasons why rationalisation schemes failed, this monograph reports on the factors which contributed to a successful unification. The study seeks to understand how and why five local and national organisations of accountants in England subsumed their ideological and status differences to form the Institute of Chartered Accountants in England and Wales (ICAEW) in 1880. In pursuing this object the study also provides a depth contextualised analysis of the formation of the ICAEW. A variety of published and unpublished sources were utilised to investigate the emergence of an organisation which became a major reference point in the development of the profession in the UK and beyond.

Organisational proliferation

Until 1870 the only organisations of professional accountants in Great Britain were those formed in Edinburgh and Glasgow in 1853 and Aberdeen in 1866. These city-based bodies received Royal Charters of Incorporation in 1854, 1855 and 1867 respectively. The Bankruptcy Act, 1869 introduced the Scottish system of creditor-elected trusteeships to England and Wales. This statute disturbed the relationships between accountants and solicitors in insolvency work and offered the prospect of an invasion of lesser 'accountants' who threatened the position of established public accountants in England. Public accountants formed professional organisations to resolve these inter professional and intra occupational conflicts. The Incorporated

Society of Liverpool Accountants and the Institute of Accountants in London were established in 1870 and the Manchester Institute of Accountants was formed in 1871. The principal object of these bodies was to differentiate public accountants from uninstructed practitioners.

The formation of city-based institutes stifled the prospect of a single organisation of accountants in England and Wales. The geographical, financial and experience requirements for entry to the local bodies were prohibitive and created a significant community of outsiders. The conditions were ripe for the formation of other organisations and for an ongoing discourse about the desirability of a national body to represent all professional accountants. A movement for a Society of Accountants in 1871–1872 encouraged discussion of a wider ‘National Association of Accountants in England’ but the response of the Institute of Accountants in London was disdainful and ponderous. In January 1872 organisational proliferation continued with the formation of a Society of Accountants in England.

The response of the London Institute to the appearance of the Society of Accountants was to widen its scope to the UK and change its name to the Institute of Accountants. It was expected that an organisation comprising leading practitioners in the capital and the provinces would enhance the Institute’s case for the award of a Royal Charter. However, the conditions and procedures for admission to the Institute were strict and cumbrous and few country accountants joined. The Institute of Accountants therefore remained an exclusive organisation dominated by public accountants in London. The Manchester Institute suggested unification with the Institute of Accountants but was rebuffed. The Manchester Institute also unsuccessfully explored with the Liverpool Society the idea of regional rather than national restructuring. During the early 1870s, therefore, the accountancy profession in England and Wales was devoid of a united national vehicle for the defence of its interests. These interests came under increasing threat in the remaining years of the decade.

External and internal pressures for unification

Insolvency administration was a major source of income to public accountants. However, its main source, the Bankruptcy Act, 1869, was heavily criticised during the 1870s. Trustees and liquidators – offices dominated by accountants – were collectively accused of touting, excessive charging, maximising their own remuneration at the expense of the creditors, retaining the assets of insolvent estates for their own use, failing to distribute dividends, and neglect of duty. These criticisms emanated from influential sources: judges; the Comptroller in Bankruptcy; the Select Committee on the Companies Acts; parliamentarians; trade and commercial organisations; and, the press.

Legal journals were also scathing about accountants. Insolvency work brought accountants into conflict with solicitors who claimed this domain as their own. In response to the threat of accountants and other invading occupations lawyers formed a protective organisation, the Legal Practitioners' Society. This served as a useful demonstration to accountants of the potential effectiveness of a national association which promoted measures for occupational protection in the legislature. By 1876 there were indications that the Attorney-General was sympathetic to solicitors' complaints about invading accountants.

The Bankruptcy Act, 1869 encouraged the appearance of increasing numbers of 'so-called' accountants during the 1870s. The accountancy bodies were unable to exert disciplinary powers over non-member 'quack' accountants. The resulting widespread denigration of accountants was indiscriminate, attaching to anyone so labelled – professional or otherwise. Despite the formation of accountancy organisations in 1870–1872 the public perceived little difference between the professional accountant and the uninstructed individual who claimed membership of the same occupation. The defamation of all accountants was a scourge on respectable practitioners and revealed the anonymity and limited effectiveness of the organisations

which represented them. The need to address the persistent problem of the *soi-disant* accountant encouraged demands for the creation of a high profile, united organisation, recognised by the state, to ‘purify’ the profession.

Widespread criticism of the Bankruptcy Act, 1869 resulted in demands for reform. Each year from 1876 the government presented a bankruptcy bill to Parliament. These measures provided for the imposition of tighter restrictions on the appointment, remuneration and removal of trustees. The government’s bills posed a threat to all accountants yet the professional organisations lobbied against the proposals unilaterally. Attempts by the Society of Accountants and the Manchester Institute to encourage unified representations and greater political activism were not well received by the Institute of Accountants. While lobbying secured the alteration of some clauses in the offending legislation the disparate organisations of accountants were unable to secure the removal of provisions most hostile to their members’ interests. This focused minds in the Institute and Society of Accountants on more effective means of protecting the profession.

The threat of bankruptcy law reform and scathing criticism of the occupation meant that strong, representative and cohesive institutions were necessary to defend the interests of professional accountants. However, the local organisations were ill equipped to provide unified responses to the range of powerful and hostile forces. The organisations formed in London, Liverpool and Manchester in 1870–1871 made limited progress. Membership growth was low, activism in pursuit of members’ interests was variable and little advance was made in implementing structures for developing, transmitting and testing professional knowledge. Lethargy was most obvious in the Institute of Accountants, to which the rest of the profession looked for leadership. Mounting discontent among the rank and file over the inactivity of the Institute and its ossified leadership culminated in the election of office-bearers in 1877 who were more determined to counter the

threats to the profession. A ‘new spirit’ in the Institute of Accountants encouraged consideration of the better organisation and protection of public accountants.

Effecting organisational change

The formation of the Sheffield Institute of Accountants in 1877 represented a local manifestation of the pressures for organisational change which had been building through the 1870s, in particular, criticism of the defective working of the Bankruptcy Act, 1869 and its consequences for the status of professional accountants. A series of ‘bankruptcy revelations’ in Sheffield concerning ‘so-called’ accountants resulted in the vilification of all accountant-trustees and revealed the urgent need for institutional structures to secure occupational differentiation and protection. The rules of the Sheffield Institute of Accountants emphasised the difference between its members and those excluded from the organisation. The adoption and display of distinguishing credentials was a preoccupation of the Institute.

Since its formation in 1870 the Institute of Accountants had existed as a “voluntary association”. From 1874 calls for its incorporation were tied to the desirability of creating a single professional organisation for England and Wales. Initially, the preferred option was incorporation by Royal Charter. However, the idea of both incorporating the Institute and regulating insolvency practice by statute gained ground in response to the prospect of bankruptcy law reform and the increasing problem of the ‘so-called’ accountant. In 1878 Disraeli’s Government made a determined but ultimately unsuccessful attempt to pass a new bankruptcy act. As the measure was discussed in the legislature it was announced that the Institute of Accountants would pursue an act of parliament for the registration of trustees and thereby close insolvency practice to all but qualified men.

The Institute determined to present an Incorporation Bill to Parliament in 1879. There was a real prospect that this measure would be considered in tandem with the government's next attempt to pass a bankruptcy act. Assurances by the Institute that the Incorporation Bill would be framed in the interests of the whole profession were soon disabused. Its narrow scope, attempts to transfer the governance structures and personnel of the old Institute to the new Institute, and strict rules of admission disappointed the other accountancy bodies. The bill was 'exclusive' and offered no guarantee that members of all the professional organisations would gain admission to a new institute. The Institute of Accountants thereby encouraged the displeasure of the other accountancy bodies even though their support was important to the success of the measure in the legislature.

The local accountancy bodies urged the automatic inclusion of their existing members in the new organisation proposed by the Incorporation Bill. The Society of Accountants advocated amalgamation with the Institute to bring its members within the scope of the bill. Those outside the accountancy bodies were especially threatened by the bill and an Accountants' Incorporation Association was formed to ensure that the interests of unaffiliated accountants were protected. The astute leaders of this organisation threatened to prepare a rival parliamentary bill.

In January 1879 meetings at the Institute of Accountants disappointed the aspirations of the other organisations that their members would enter the new Institute *en bloc*. The Institute of Accountants insisted that entry would be confined to 'bona fide public accountants'. Those engaged in pursuits deemed incompatible with this construct, such as stock broking and auctioneering, would be excluded. In consequence, opposition to the Incorporation Bill began to crystallise but despite mounting disenchantment the Institute of Accountants continued with its measure. Its determination was conditioned by the tight parliamentary timetable, a conviction in

the rightness of its cause, the imminent appearance of a government bankruptcy bill and some encouraging comments from the oldest provincial societies of accountants.

The Incorporation Bill was read in the House of Lords in February 1879, on the day after the Bankruptcy Law Amendment Bill. The Society of Accountants now embarked on a more concerted campaign of opposition to the Incorporation Bill. In March 1879 a series of petitions against the measure were formally lodged in Parliament. An attempt by the Institute of Accountants to mobilise support for the bill in Liverpool and Manchester revealed lukewarm support and discontent over the lack of consultation with the local accountancy bodies. As the Incorporation Bill approached the key committee stage in the House of Lords, where its relation to bankruptcy reform and the extent of opposition would be visible, the Institute of Accountants began to shift its position. Amendments were made to bring the other accountancy bodies within the scope of the Accountants (England) Bill. Members of the professional organisations who combined accountancy with other occupations would now be admitted to the new Institute. In April 1879 it was also agreed to make the title of the bill more inclusive and widen membership of the council of the new Institute.

However, the Society of Accountants and the Accountants' Incorporation Association remained dissatisfied with the bill. The former applied to the Board of Trade to establish a rival 'Incorporated Society of Accountants'. Among the objects of this organisation was the promotion of legislation for the incorporation of public accountants and amalgamation with other bodies seeking the same object. The creation of an 'Incorporated Society of Accountants' for those professional accountants excluded from the proposed 'Incorporated Institute of Accountants' revealed the exclusive nature of the Incorporation Bill, the presence of opposition to the measure and its failure to establish a single organisation of professional accountants. In response, the leaders of the Accountants' Incorporation Association were proposed

as councillors of the new Institute and following further amendment of the Accountants (England) Bill opposition was withdrawn. By the end of June 1879 it was fully expected that the bill would be passed. The next stage in the parliamentary process was the scrutiny of the measure by a Select Committee of the House of Lords.

Expectations of an uncomplicated legislative passage were scuppered by the intervention of Lord Redesdale. The powerful Chairman of Committees in the House of Lords decided that the Incorporation Bill would not proceed unless an application for a Royal Charter was made and refused. The Institute of Accountants pursued this change of course. In early August 1879 a petition for an Incorporated Institute of Accountants of England and Wales was submitted to the Privy Council Office. However, a draft charter was not submitted to the Privy Council until 15 January 1880. Complications had arisen due to the formation of the Incorporated Society of Accountants, discussions over the credentialing of members of the new Institute and the inclusion of Edwin Guthrie and Charles Wade of the Accountants' Incorporation Association on its Council.

The Royal Charter was approved by the Privy Council on 24 March 1880 and the Queen's Warrant was received on 3 May. The grant of the charter to the ICAEW on 11 May offered the possibility that those it incorporated would be favourably considered in the government's latest bankruptcy bill. There was increasing support for the idea that insolvency trusteeships should be confined by statute to professional accountants. The sudden dissolution of Parliament and the defeat of the Conservative government in spring 1880 frustrated this development. Despite the change of administration a number of bankruptcy bills remained on the parliamentary agenda in 1880. These included a measure containing a provision for the creation of a 'Register of Professional Trustees'. Efforts were made by the ICAEW to ensure that trusteeships were restricted to chartered accountants.

However, in August 1880, a Select Committee on the bankruptcy bills recommended that the Liberal government postpone reform.

The formation of the ICAEW, a single, national professional body with an elevated status conferred by the state and whose members assumed distinctive credentials, offered the prospect of a more enduring solution to the problem of occupational differentiation between the professional accountant and the unqualified interloper. Those who had been publicly hostile to accountants in England and Wales during the 1870s began to extol the virtues of the chartered institute. The public could now distinguish the qualified and reputable practitioner from the counterfeit accountant.

With the creation of the ICAEW the Institute of Accountants and the Society of Accountants in England were dissolved. The city-based organisations were reconstituted as societies of local chartered accountants. The Manchester Society of Chartered Accountants was formed following the merger of the Manchester Institute of Accountants with its former adversary, the Incorporated Society of Accountants.

Implications

During the 1870s the organised accountancy profession in England and Wales was characterised by division and sectionalism. In 1880 it achieved unification and state recognition. This successful integration stands in stark contrast to later attempts to obtain similar outcomes. The findings of the research suggest that various factors contributed to the achievement of unification in 1880. First, there was a widespread desire for organisational change. Accountants, together with those who observed and criticised the profession, called for new structures to control and protect the genuine practitioner. Whereas some rationalisation movements during the twentieth century were driven by office bearing elites without the benefit of wholesale rank

and file support, during the 1870s the members of the Institute of Accountants felt compelled to shake their leaders into addressing the question of the organisation of the profession.

Second, demands for organisational change were motivated by a compelling external stimulus in the form of threats to the profession. During the 1870s accountants in England came under siege through their work in insolvency administration. Adverse criticism emanated from powerful sources: the judiciary; government officials; parliamentarians; the press; commercial pressure groups; and the legal profession. Resultant government measures for bankruptcy reform included hostile provisions. The fractured accountancy profession lobbied in vain against the offending legislation. The increasing numbers of 'so-called' accountants compounded the threat to professional men. These competed for insolvency and other work and their misdemeanours resulted in the vilification of all accountants. New organisations were necessary to differentiate the professional accountant from the interloper and make united, more effective representations to government. Third, and relatedly, given the widespread criticism of the accountancy profession, organisational change was perceived to be a response which was in the public interest.

Fourth, the Institute of Accountants, which promoted the measure to secure organisational change, was compelled to adopt an inclusive approach to re-organisation. The Institute pursued a strategy of change through legislation. This ensured receptivity to the demands of all interested parties if the measure was to succeed in Parliament. In this context a group of astute and persistent opponents to the original 'exclusive' proposals advanced by the Institute of Accountants embarked on a highly successful campaign to ensure that all organisations of accountants were included in the unification.

CHAPTER ONE

INTRODUCTION

The question of unity within the profession remains one of the cardinal issues which admits no pusillanimity. Whatever words have been used to describe these strivings - be it rationalisation, amalgamation or co-ordination of the profession - in essence, all attempts have failed to place the profession on a unitary basis (Stacey, 1954, p.xiv).

Background to the project

In his milestone history, *English Accountancy, 1800-1954*, Nicholas Stacey argued that the accountancy profession was weakened by its “preoccupation with the present” (1954, p.xii). Not only did this fixation discourage consideration of the future, it also tended to a neglect of the past: “Hardly any profession may claim as scanty an attention to its course of history as the accountancy profession” (p.xv). Half a century later accounting history is flourishing in Britain, and one of its principal foci is the history of the institutions of the profession.

The benefits of historical research for understanding the problematic organisation of the accountancy profession have been recognised by ICAS in recent decades. During the 1990s the Scottish Committee on Accounting History of ICAS supported two research projects on the recurring issue of the organisation of the profession in the UK. These projects sought to provide historical insights into why the several attempts to rationalise the profession had substantially failed. The results of the first project were reported by Shackleton and Walker (1998) in *Professional Reconstruction: The Co-ordination of the Accountancy*

Bodies, 1930-1957. This examined the unsuccessful attempt to unify the major professional organisations during the 1940s and 1950s around legislation for the registration of 'public accountants'. The subsequent history was taken up in the second report by Shackleton and Walker (2001) in *A Future for the Accountancy Profession: The Quest for Closure and Integration, 1957-1970*. This examined the most ambitious project for the rationalisation and closure of the profession which gestated during the 1960s and culminated in the embarrassing debacle of 1970. Both reports highlighted a number of reasons why unification schemes failed in the period 1930 to 1970. These concerned the defective manner in which the profession engaged with government; limited sensitivity by the promoters of restructuring to the different ideologies and cultures of the participating bodies; the absence of a widespread desire for change; and the detachment of office-bearing elites from the rank and file members.

The current monograph reports the results of a third project on the organisation of the accountancy profession. It differs from the previous studies by focusing not on a failed attempt at unification but on what was perceived in its day as a successful restructuring. Specifically, the report seeks to understand how and why five local and national organisations of accountants in England managed to subsume their ideological differences to form the Institute of Chartered Accountants in England and Wales (ICAEW) in 1880. Whereas the previous studies identified reasons for failure, the current report seeks to identify the factors which facilitated a successful unification during the late nineteenth century.

The research project was intended to contribute to the understandings of another subject. The ICAEW currently claims to be the largest professional accountancy body in Europe with more than 124,000 members practising in 142 countries (www.icaew.co.uk). Together with the organisations of professional accountants established in Scotland during the 1850s and 60s, this body was highly influential

in formulating notions of professionalism and patterns of organisational development beyond its geographical boundaries (Parker, 1989). The ICAEW has also been a major player in attempts to rationalise the accountancy profession in the UK and a leading participant in inter-organisational politics. Yet, whereas several historical studies of the profession in Scotland have appeared in recent decades (Kedslie, 1990; Lee, 1996a; Walker, 1988; Walker and Lee, 1999), the emergence of the ICAEW and its predecessor bodies have escaped a similar degree of attention. Given the advancing academic interest in the history of the accountancy profession it is surprising that events leading to the formation of the ICAEW in 1880 have not been rigorously investigated by accounting historians.

This is not to suggest that there is a dearth of published work on the emergence of professional organisation in England and Wales during the 1870s and the formation of the ICAEW in 1880. However, these contributions have often provided limited insights and a number of factual errors have persisted in the literature (Boys, 2004). The chapter on England and Ireland in Brown's landmark history of accounting and accountants (1905, pp.235-236, 238) draws heavily on Worthington (1895) and offers the most cursory description of the accountancy organisations in England between 1870 and 1880. It has nothing to say about the period 1872-1878 which was formative to the creation of the ICAEW, other than eulogising William Turquand, who was to become the first President of the unified Institute. Similarly, Stacey (1954) devotes less than two pages to the organisation of English accountants during the 1870s. An exception is Harper's (A C H) pamphlet on the inception of the ICAEW, written in 1930 and reproduced in *The Accountant* (13.12.1930, pp.801-802). Harper's account was part of the Institute's celebration of its first half century and is valuable as the recollections of a leading participant in the events it describes. In the absence of a surviving archive it offers tantalising insights to the formation of the Society of Accountants in England in 1872. Harper's

pamphlet is however, by its own admission, a *Short Sketch*, characterised by limited historical specificity and a tendency to emphasise the role of certain 'pioneers'. Harper's contemporaries often seemed content to perpetuate the sense of mystery associated with the formation of the institutions whose anniversary they celebrated in 1930:

The precise causes which have set in motion many of the greatest movements in history cannot be identified. From time to time a common spirit seems to move in the hearts of men, and an entry forthwith appears in the register of history. So it seems to have been in the case of accountancy in the period between 1870 and 1880. Those who took the name accountants felt the need for a common organisation, and by successive steps they satisfied their desire (Accountant, 17.5.1930, supplement).

The most authoritative account to date of the accountancy organisations in England and Wales from 1870 to 1880 is that provided in the first chapter of *The History of The Institute of Chartered Accountants in England & Wales and its Founder Bodies, 1870-1965* (1966) compiled by Sir Harold Howitt. This narration of key events has served accounting historians well for almost 40 years. It was augmented by similar chapters in centenary histories by Hopkins (1980) and Margerison (1980). The account of organisational developments in Howitt inevitably offers limited detail in a book covering a broad chronological sweep. Further, while the chapter on the origins of the ICAEW was substantially drawn from evidence in the Institute's archives and the sole professional journal of the day, *The Accountant*, its author does not appear to have ventured beyond these sources.

Like Howitt, the current study utilises the records of the Institute of Accountants and *The Accountant* but is also based on a host of other sources in order to present a broader analysis of organisational developments. It also ventures beyond the pervasive economic determinism of most earlier works which dictate the inevitability of

the organisation of accountants in the wake of the industrial revolution. Neither does the current study perceive, as celebratory histories tend to do, that the significance of the history of institutionalisation lies primarily in its marking the starting point for the progressive march of the profession to the modern era. The monograph seeks to present a more critical account of the formation of the ICAEW which examines events in their specific contexts.

Sources and methods

In accordance with the triangulation approach to data collection and analysis adopted in earlier research on the history of professional organisation undertaken by Shackleton and Walker (1998, 2001), the present study involved the examination of a variety of primary sources in order to compare and contrast accounts of particular historical phenomena given by different actors. The configuration of the early accountancy profession as a number of separate associations is particularly facilitative of this approach. The earlier monographs relate how triangulation permits us to 'capture a more complete, holistic and contextual portrayal of the units under study' (Jick, 1979, p.605; Denzin, 1978). As in the previous studies a major source was the surviving records of the professional organisations themselves. In locating and using these archives students of the history of accounting institutions have been enormously assisted since 1994 by Habgood's *Chartered Accountants in England and Wales. A Guide to Historical Records*. Not only does this provide a catalogue of the surviving records of accountancy firms and professional organisations, it also contains insightful commentaries such as that by Boys (1994).

The records of the predecessor bodies of the ICAEW, the local institutes of accountants formed in Liverpool, London, Manchester and Sheffield during the 1870s, were extensively used for this project. At the time the research was conducted the archive of the Institute of

Accountants (in London) was located in the Guildhall Library, London. The records of the associations in Liverpool, Manchester and Sheffield were kept by the district societies of chartered accountants in those cities. It remains a source of frustration to accounting historians that the archive of the Society of Accountants in England, formed in 1872, has not been traced, though some printed lists of members and rules are to be found in the ICAEW Library.

The quality and quantity of the original documents which do survive varies enormously. The archives of the Institute of Accountants (in London) are the most comprehensive. The detailed minutes and letter books are most illuminating. Even in the latter, however, the historian is frustrated by a dearth of out-letters recorded during the winter of 1876-1877 when there was a change of Secretary and in several months during 1878 when key developments took place. The minute book of the Manchester Institute of Accountants is enlightening and candid. The record of proceedings of the Society of Accountants in Liverpool is relatively sparse. Those of the Sheffield Institute are non-existent and reliance must be placed on a surviving ledger and other sources.

Local and national newspapers were another important source for the study, one not sufficiently exploited by previous historians of the English accountancy profession. Newspapers often reported the general meetings of the early accountancy bodies, sometimes printed articles on accountants, and their correspondence columns were an important media for discussion of the organisation and work of practitioners. From its appearance in 1874 *The Accountant* constitutes a vital source for discussion of issues affecting the profession and expressions of rank and file opinion. Accounting historians in the past have often overlooked the fact that while there was no accountancy press until 1874, the occupation was often the source of comment in the journals of related professions, particularly the law. *The Law Times* and *The Solicitors' Journal and Reporter* were important sources in this respect.

During the 1870s the fortunes of many professional accountants were tied to the systems of personal and corporate insolvency administration. The working of the law of bankruptcy was under constant scrutiny as was the role of accountants as insolvency trustees and liquidators. Discussion of these issues took place in the press and professional journals. The complex discourse on insolvency and bankruptcy was also traced in parliamentary papers, *Hansard's Parliamentary Debates*, contemporary books and pamphlets, and a few surviving papers of the Lord Chancellor's Office contained in the Public Record Office. The study also relies on primary sources such as local trade directories, the files of dissolved companies and a host of secondary works.

Style and structure

A number of scholars have recently urged the reassertion of narrative in accounting history (Funnell, 1998; Parker, 1999). The research monograph offers a medium particularly suited to this genre, especially when compared with the constraints of the academic research paper. The narrative style has been adopted in this and the previous monographs in the series. Narrative implies an approach to historical research and writing which not only seeks to provide a structured account of past events but also to interpret and explain those events in innovative and engaging ways. The search for explanation necessitates more than an introspective account of organisational developments in the accountancy profession during the late nineteenth century. It demands a recognition that events were played out on a broad economic, social and political canvass.

The monograph is organised on a chronological basis. However, where important themes require separate analysis a strict datal sequencing has been departed from. The monograph is structured in three parts. Part one examines the organisation of the profession

in England during the early 1870s. The chapters explore the reasons why the first accountancy bodies in England assumed a fractured and localised structure, the resultant creation of a competitor in the form of the Society of Accountants in England, and early unsuccessful attempts to form a single national professional organisation for England and Wales. Part two explores the mounting pressures on the accountancy organisations to pursue unification. These were manifested in proposed bankruptcy law reforms which threatened the interests of professional accountants, conflicts with solicitors over the allocation of work, the persistent problem of the 'so-called' accountant, and discontent at the progress made by the extant professional organisations. Part three discusses the organisational changes which resulted from these forces culminating in the formation of the ICAEW in 1880. The story of the formation of the Sheffield Institute of Accountants is told as an illustration of institutional responses to the pressures on accountants by the mid to late 1870s. This is followed by a review of the debates concerning the form which restructuring should take, the emergence of opposition to a scheme for unification devised by the Institute of Accountants, how opponents were accommodated, how objections overcome and a national organisation formed under a Royal Charter. The implications of the findings for understandings of professional organisation are discussed in the concluding chapter. In common with the previous monographs the appendices contain biographical notes on the leading participants and reproductions of key documents.

CHAPTER TWO

PROFESSIONAL ORGANISATION IN ENGLAND, 1870-1871

Until 1870 the only organisations of professional accountants in Great Britain were those formed in Edinburgh and Glasgow in 1853 and Aberdeen in 1866. These city-based bodies received Royal Charters of Incorporation in 1854, 1855 and 1867 respectively. This chapter examines the formation of the first organisations of professional accountants in England - the Incorporated Society of Liverpool Accountants (established in 1870), the Institute of Accountants in London (1870) and the Manchester Institute of Accountants (1871). A summary is provided of the more detailed analysis found in Walker (2004). Historical evidence is presented on the reasons why organisations were formed, the localised pattern of institutionalisation, and the context in which these developments took place.

Explanations for professional organisation in England, 1870-1871

Surprisingly, the reasons for the formation of the earliest accountancy bodies in England have seldom been based on a rigorous and contextualised investigation of historical sources. Official histories, often produced as commemorations of a century of activity (Howitt, 1966; Hargreaves, 1970; Hoe, 1977; Hopkins, 1980; Margerison, 1980) offer insights of variable depth. In the case of the Manchester Institute of Accountants (1871) there is no published account of developments at all. Similarly, the standard histories of the profession offer limited

insights to the emergence of local societies during the 1870s (Brown, 1905, chap 4; Green, 1930). Stacey's (1954) account of the formation of the professional bodies in England emphasised a nebulous relationship between the emergence of industrial society and organisation. Stacey and other commentators have noted that the localised character of the societies formed in Liverpool, London and Manchester mimicked the organisational structures of the chartered bodies in Scotland during the 1850s and 60s (1954, p.23; also Macdonald, 1985, p.548; Lee, 1996b, p.177).

Other commentators have tended to rely on earlier works such as those by Brown (1905) and Stacey (1954) when seeking explanations for the emergence of accountancy bodies in England during the 1870s (Parker, 1986, p.20). Jones (1981, pp.67-68), for instance, follows Howitt (1966) and examines the formation of an institute in London in the context of the need to regulate a profession whose social and economic interests were threatened by the intrusion of unscrupulous individuals. Willmott argues that professional organisation in London "followed a series of scandals that had brought accountancy into serious disrepute" (1986, p.566). According to this version of events the London institute was formed by accountants determined to differentiate themselves from unprofessional interlopers. Jones and Willmott, in common with most other writers (such as Howitt, 1966 and Hopkins, 1980), focus on the London institute. The other local societies of accountants formed in English provincial towns tend to receive much less attention. This is especially unfortunate in the case of the Liverpool society because its localised character was emulated by the organisations formed immediately in its wake.

Several scholars have suggested that certain legislative developments encouraged the organisation of accountants in England. Carr-Saunders and Wilson (1933, p.210) identified the Companies Act, 1862 and the Bankruptcy Act, 1869 as significant. Macdonald (1985, p.547) also refers to the importance of companies and

bankruptcy legislation in the formation of the local societies during the 1870s. However, he mistakenly suggests that the Companies Act, 1867 was a catalyst (1995, p.191). Boys (1994) was closer to the mark when reiterating the importance of the Bankruptcy Act, 1869. The opportunities presented by this statute for the appointment of accountants in England as creditor-elected trustees meant that “many unscrupulous and unskilled persons solicited for such appointments and the resulting dissatisfaction reflected badly on competent accountants, who, in order to protect their reputation and to distinguish themselves from the unqualified, started to form professional societies” (Boys, 1994, p.10). In a contextualised study of the formation of the professional bodies in Scotland Walker (1995) suggested that the institutionalisation of accountants in England should be scrutinised as a likely element of a continuum of organisational developments which commenced north of the border in 1853. It was suggested that the imposition in England of the Scottish system of bankruptcy administration by trustees through the Bankruptcy Act, 1869 was central to explaining professional organisation in England (Walker, 1995). However, this assertion was made with the caveat that further investigation was required.

The significance of the Bankruptcy Act, 1869

Given its likely importance to professional organisation during the 1870s, it is necessary to briefly examine bankruptcy legislation in mid-Victorian England. According to Markham Lester “Victorian England seems to have been preoccupied with insolvency” (1995, p.1). During the 1860s losses from bankruptcy and similar arrangements could amount to £30m per annum, representing almost 4% of GDP (Mitchell, 1988, p.828). The workings of the laws of bankruptcy and insolvency frequently occupied the attention of interest groups, policy-makers and legislators during the nineteenth century: “Between 1817 and 1883, three royal commissions, at least ten parliamentary select

committees, and one special Lord Chancellor's committee, studied the problem of bankruptcy and recommended remedial measures. The eighty-year period between 1831 and 1914 ... saw the introduction of almost one hundred bankruptcy bills in Parliament. Nearly a third became law" (Markham Lester, 1995, p.2). In 1878 the Attorney-General was to recall that "During the present century there has hardly been any subject on which there has been so much legislation, and, I regret to say, so much unsuccessful legislation, as on the subject of bankruptcy" (*Hansard*, 11.3.1878; 16.7.1879).

Before 1861 bankruptcy processes concerned traders. Thereafter bankruptcy statutes related to traders and non traders. Joint stock companies were wound-up under the Companies Act, 1862. The shifting body of bankruptcy law was important to accountants in Victorian England because it established the framework in which they pursued a major source of fee income. Proposals for statutory change had a potential impact on their capacity to perform insolvency work. While it is now recognised that accountants in Victorian England offered a diverse range of services (see Boys, 1994, pp.37-38; Matthews *et al*, 1998, pp.30-36, 94-112 for a summary of the literature) it is widely understood that they assumed a significant role in the administration and management of insolvent estates.

David Chadwick, who had experience as a public accountant in Manchester and London, identified six principal branches of professional practice in 1871. These were: the keeping and audit of executor and trust accounts; bankruptcy trusteeships; appointments emanating from proceedings in the Court of Chancery such as corporate liquidations and accounting for wards of court; the audit of companies and other entities; references from courts or private individuals to investigate, arbitrate and report on accounting related matters; and the evaluation of investment opportunities (Chadwick, 1871). Of these areas of work histories of accounting firms reveal the particular importance of bankruptcy, corporate liquidations and other

forms of insolvency administration to most of the leading accounting firms in mid-Victorian London.

Jones' much quoted analysis shows that Whinney, Smith & Whinney and Turquand Youngs & Co. experienced substantial growth in real fee income during the second half of the nineteenth century, substantially based on their work as the "undertakers of the economic world" (1981, p.45). Though the firm's clientele was probably not representative (see Matthews *et al*, 1998, pp.93-97), 86% of the fee income of Harding Whinney Gibbons & Co in 1860 derived from insolvency work. In 1870 the figure was 94% (Jones, 1981, p.47). The senior partner, R P Harding, was appointed Chief Official Receiver under the Bankruptcy Act, 1883 and was knighted for his services (Jones, 1984(b)). It is significant that one of the partners of this firm, Frederick Whinney, was to become a member of the Council of the Institute of Accountants (in London) and played a major role in attempts to restructure the profession during the late 1870s.

Although an absence of detailed sources prohibits a reconstruction of the clientele of Price, Holyland & Waterhouse, Jones (1995, pp.45-47) illustrates that corporate liquidations were also significant to this London firm and speculates that bankruptcy work was important to the practice. In evidence to the Select Committee on the Companies Acts in 1877 Samuel Lowell Price of Price, Holyland, Waterhouse & Co confirmed that "as a general rule, accountants are appointed liquidators" of companies (Report, p.69). The biographies of other leading practitioners and important players in the organisation of the profession, such as William Quilter, William Turquand and Ernest Cooper, also allude to the importance of insolvency work (Bywater, 1985; Jones, 1986, 1984(a), respectively). The last mentioned famously recalled that during the 1860s it was perceived: "that if an accountant were required he would be found at the bar of the nearest tavern to the Bankruptcy Court in Basinghall Street ... an accountant was regarded

as associated with and dependent upon insolvency” (quoted in *A History of Cooper Brothers & Co.*, 1954, p.4; Alison and Waddell, 1859, p.3).

From the passing of Lord Brougham’s Bankruptcy Act in 1831 until the 1860s, the administration of bankrupt estates in England was founded on state control, or ‘officialism’ (Markham Lester, 1995, pp.40-59). Under this system the Lord Chancellor was responsible for appointing a number of ‘official assignees’ whose function was to perform the detailed management and distribution of bankrupt estates (Weiss, 1986, pp.42-43; Markham Lester, 1995, pp.81-86; Walker, 1995). These officials of the Courts of Bankruptcy, of whom there were ten in London and (from 1843, when the system was extended to the counties) 16 to 18 in district bankruptcy courts, were chosen from among merchants, brokers and accountants (Markham Lester, 1995, p.82). The Bankruptcy Act, 1831 and its identification of accountants as potential assignees gave accountancy in England “its first professional boost” (Napier and Noke, 1992, p.34).

From the late 1850s ‘officialism’ was criticised by the increasingly vociferous commercial class (Markham Lester, 1995, pp.123-133). The system of official assignees was perceived as expensive and at variance with the notion that the management of the bankrupt’s estate should be the responsibility of the creditors themselves. The demands of the business classes were partly satisfied when the Bankruptcy Act, 1861 introduced a greater degree of creditor control. Under this statute assignees elected by the creditors assumed greater responsibility for the management and distribution of the bankrupt’s assets while the official assignee retained powers of inspection, supervision and audit (Markham Lester, 1995, pp.133-146).

The 1861 Act did not, however, quell criticism of the system of bankruptcy administration in England and Wales. Escalating cost, the encouragement of fraud under trust deeds, and demands for greater creditor control, featured large in the deliberations of a House of Commons Select Committee on the Bankruptcy Act in 1864 (Report;

Weiss, 1986, pp.45-46; Markham Lester, 1995, pp.146-151). The Scottish system of management by creditor-elected trustees, paraded as an exemplar of the efficient working of creditor control since the late 1850s (Kinnear, 1858; Moncreiff, 1865; Robson, 1870, p.10), was recommended by the Select Committee for adoption in England and Wales (Walker, 1995). Public bills were introduced in 1866 and 1867 to implement this system but pressure of parliamentary time and a change of government prevented the passing of legislation. By the end of the 1860s discontentment with the 1861 Act was widespread and demands for reform from the commercial and mercantile communities intensified (Routh, 1870, pp.8-9; Kemp, 1870, p.7).

In March 1869, the Liberal Government introduced a Bankruptcy Bill which, much to the satisfaction of the powerful banking, mercantile and commercial lobbies, provided for the abolition of official assignees and their replacement by the Scottish system of creditor-elected trustees (*Banker's Magazine*, April 1869, p.426; Robson, 1870, p.12; *Hansard*, 5.3.1869, pp.780-781). The Bankruptcy Bill entered the statute book in August 1869. As well as being seen as a victory for the business classes, the Bankruptcy Act, 1869 was perceived as opening a wealth of opportunities for accountants in England and Wales.

The notion that accountants should assume a major role in the management of bankrupt estates had been mooted before the 1869 Act (*Advice to the Embarrassed*, 1858, p.56). A number of witnesses before the Select Committee of the House of Commons (among them accountants) on bankruptcy in 1864 expressed a preference for the appointment of competent, professional accountants to manage bankrupt estates in place of official assignees or solicitors, as was the case in Scotland (Report, Minutes of Evidence, 1864, pp.108-109, 171, 250, 263). The Attorney-General accepted these views. On introducing the Bankruptcy Bill, 1869 he envisaged that the system of creditor-elected trustees would encourage greater professionalism in the management of bankrupt estates in England. He noted that

“In Scotland the effect of the system had been to call into existence a number of persons who made the office of trusteeship a kind of profession, and they succeeded in proportion to their diligence, capability, and trustworthiness” (*Hansard*, 5.3.1869). While the 1869 Act established that any person could be selected as a trustee, most commentators assumed that the Attorney-General had accountants in mind when framing his legislation. One accountant observed that the 1869 Act conferred “a status on the profession which did not exist before” (Caldecott, 1875, p.41).

The apparent intention of government to encourage a profession of accountant trustees in England and Wales was not well received by another group involved in bankruptcy work, the lawyers. The Bankruptcy Act, 1869 disturbed the boundaries between accountants and solicitors and this was to prove significant to the organisation of the ‘new’ profession. In law journals accountants were often portrayed as invaders on the territory of solicitors (Sugarman, 1995, pp.229-230). The pages *The Law Times* and *The Solicitors’ Journal and Reporter* during the mid-nineteenth century contained many articles and letters on the encroachments of usurping accountants. During the 1860s lawyers were particularly anxious about the incursion of accountants in insolvency work. In most bankruptcies under the 1861 Act where a solicitor was appointed, it was not necessary to also employ an accountant but accountants were increasingly engaged to advise insolvent traders and to administer insolvencies under trust. The intrusion of accountants in this area of work, which often attracted less reputable accountants disrespectful of the boundaries between accountants and lawyers, was an especial source of grievance among solicitors: “What is it we complain of? It is this—Accountants and similar persons calling and attending meetings of creditors, negotiating with creditors, in many cases preparing the composition and similar deeds, paying compositions, preparing leases, partnership deeds, wills,

agreements &c, and transacting a variety of other professional business” (*Solicitors’ Journal and Reporter*, 7.9.1867).

Despite the objections of lawyers the Bankruptcy Bill, 1869 contained provisions which encouraged the further advance of accountants. Lawyers feared that the measure would “considerably diminish the business of attorneys and solicitors who practice in bankruptcy and in common law” (*Law Times*, 20.3.1869). In their place the bill would “permanently establish” the growing class of accountants and offer them “fresh fields and pastures new” (*Law Times*, 3.4.1869). In fact, although the 1869 Act was undoubtedly a stimulus to their accountant rivals, it did not specifically exclude solicitors from bankruptcy work (Markham Lester, 1995, p.154). The passing of the statute did, however, raise questions about the relationship between solicitors and accountants. The lawyers had to decide whether they would compete with accountants for the new creditor-elected bankruptcy trusteeships. The Act also posed questions for established public accountants who were concerned about the prospect of competition from less respectable and uninstructed practitioners. It was feared that these men might “spring up” as ‘accountants’ and take advantage of the opportunities presented by the new legislation (*Law Magazine and Law Review*, 1869-70, p.282). The first city in which accountants and lawyers addressed these issues was Liverpool.

The Incorporated Society of Liverpool Accountants

Hargreaves’ (1970) informative history emphasises the importance of the Limited Liability Act, 1855 to the organisation of accountants in Liverpool. Hargreaves contends that this statute generated an expansion in company formations and increased demand for “responsible auditors” (p.1). It is clear however, that Liverpool accountants were more interested in insolvency practice than corporate auditing during the mid-nineteenth century (Report from the Select Committee, Minutes

of Evidence, 1864, p.242). The available sources suggest the centrality of the Bankruptcy Act, 1869 to the organisation of accountants in Liverpool in 1870 as opposed to companies acts in the previous decade. As the leading export port in Britain and a major commercial centre, the subject of bankruptcy was widely debated in Liverpool during the 1860s (Report from the Select Committee, Minutes of Evidence, 1864, p.242; Goschen, 1868, p.3; Liverpool Chamber of Commerce, 1869; *Spectator*, 27.2.1869, p.247; *Law Times*, 6.3.1869, p.356).

On 19 October 1869 the Metropolitan and Provincial Law Association met in York. On the agenda was the pressing issue of whether solicitors should act as trustees under the new Bankruptcy Act. This was contentious for solicitors because Section 29 of the Act provided that the trustee's remuneration would be based on a percentage of the assets realised. This contrasted with the usual award of a lawyer's 'fee' and the payment of solicitors' costs out of the estate. Trusteeships were also to be secured through an undignified process of election as opposed to an approach by a client. Would solicitors be prepared to suffer the indignity of competing for trusteeships, and associating themselves with debt collection, for the sake of capturing this work from accountants? Having elicited the opinions of the local law societies (*Law Times*, 11.12.1869, pp.116-117) the Metropolitan and Provincial Law Association, resolved on 8 December 1869, "that it would not be inconsistent with the standing of the profession for solicitors to accept such office [trustee] upon such terms or arrangements as they may see fit in each particular case" (*Solicitors' Journal and Reporter*, 1869-70, p.153; *Law Times*, 25.12.1869, pp.141-142). The solicitors of Liverpool were to arrive at a different opinion.

In contrast to the decision of the Metropolitan and Provincial Law Association, the executive committee of the Incorporated Law Society of Liverpool resolved, on 17 January 1870, that local solicitors ought not to seek bankruptcy trusteeships (Book of Proceedings, 28.2.1870). This decision meant that "The solicitors of London and

Liverpool have come to different conclusions as to the course to be taken under the new law of bankruptcy. The former have determined to accept the office of trustee, the latter have resolved to leave the office to accountants” (*Law Times*, 12.2.1870, p.287). Having decided on this course, Liverpool solicitors approached leading accountants in the city to discuss the allocation of bankruptcy work between the two professions (*Solicitors’ Journal and Reporter*, 19.11.1870, p.43). The Law Society of Liverpool suggested that in order to implement a division of labour local accountants should form a professional organisation (*Liverpool Mercury*, 5.2.1870, p.7).

On 19 January 1870, Harmood W Banner and Andrew W Chalmers addressed a letter to a select group of fellow Liverpool accountants urging their attendance at a meeting on 25 January to consider “the propriety of forming a Society to be called “The Incorporated Society of Liverpool Accountants”. This stated: “The important changes in the mode of Winding-up Insolvent Cases publicly and privately appears to us to render it necessary to form such a Society” (Book of Proceedings, 25.1.1870). According to *The Liverpool Mercury* the accountants involved in this movement were “gentlemen selected by the Incorporated Law Society for the purpose of deliberation upon the course of procedure to be adopted under the new Bankruptcy Act” (5.2.1870, p.7). Fourteen accountants were present at the resultant meeting in the offices of Messrs Harmood Banner & Son on the 25 January 1870. At this gathering it was determined to form the society, a memorandum and articles of association were discussed and the election of an Executive Committee was set in train. Two days later those elected to the committee were instructed to proceed with the incorporation of the society under the Companies Act, 1867. On 28 January those who were principally involved in establishing the organisation, Harmood W Banner and Andrew W Chalmers, were elected President and Secretary of the society respectively.

Swift organisation was necessary because a meeting had been arranged for the 31 January 1870 between the new body of accountants and the Liverpool Law Society to discuss the implementation of the Bankruptcy Act as it affected the two professions. At this meeting the opinion of the senior local accountants on the distribution of duties was sought. On 28 January the accountants resolved that: "the whole body of Accountants [would] ... not interfere in any way with the business of the Solicitors" and affirmed their willingness to comply with arrangements determined by the solicitors (Book of Proceedings, 28.1.1870). The Law Society of Liverpool was satisfied that the organisation of accountants enabled communication between the two societies "in the event of any breach of the honourable understanding existing between it and the Society of Accountants as to the province of the members of the respective professions" (*Solicitors Journal and Reporter*, 19.11.1870, p.43).

In the first week of February 1870, the formation of the Society was reported in the Liverpool press. *The Liverpool Mercury* related: "The important changes in the mode of winding-up insolvent estates introduced by the new law have stimulated the leading accountants in Liverpool to emulate their Scottish professional brethren and form themselves into a body to be called 'The Incorporated Society of Liverpool Accountants'" (5.2.1870, p.7; *Daily Courier*, 7.2.1870, p.6). The Incorporated Society of Liverpool Accountants was licensed by the Board of Trade under the Companies Act, 1867 on 11 April 1870.

There was another, related reason for the formation of the Liverpool Society. While accountants and solicitors were anxious to define the boundary in bankruptcy work both occupations were also anxious to set the limits of the accountancy 'profession' and exclude lesser 'accountants' from the field. The problem with accountants performing functions under the Bankruptcy Act, 1869 was that without a professional organisation the public had no guarantee that those it selected as trustees were respectable practitioners. *The Liverpool Mercury*

stated that given creditor-control “it is of the utmost importance that the trustee whom they are authorised to call in aid should, if an accountant, be a person of integrity, and belong to some recognised body in whom the creditors can place confidence” (5.2.1870, p.7). *The Law Times* was pleased to report that the formation of the Liverpool Society was inspired to: “weed the Profession of a class of accountants or hedge-lawyers who have hitherto brought discredit on their order”.

The Incorporated Society of Liverpool Accountants was, therefore, organised to reach an accommodation between senior accountants and local solicitors over the distribution of bankruptcy work and ensure adherence to the agreement made. Its promoters (solicitors and accountants) also sought to protect the insolvency market for leading accountants, to exclude the disreputable from practising the same profession and prevent the inferior class of accountants in Liverpool from disrupting the settlement negotiated by the two organised professions.

The Institute of Accountants in London

The suggestion of an organisation of accountants in London predated the Bankruptcy Act, 1869 (Walker, 1995). From December 1867 to January 1868 the idea was mooted in *The Times* as a result of concerns over the manner in which “a swarm of pettifoggers” were awarded a substantial proportion of remunerative liquidations under the Companies Act, 1862. The formation of an institute of accountants in London was advocated as a means of excluding “questionable individuals” from the winding-up of corporations (*Times*, 28.12.1867, p.28). As part of this debate an Edinburgh chartered accountant wrote to *The Times* on the benefits of professional organisation and urged the leading firms in London to pursue the idea (9.1.1868, p.6). *The Times* subsequently advocated an institute of respectable practitioners in London on the model of the Society of Accountants in Edinburgh to

“exclude the herd of disreputable ... whose knowledge of their calling has generally been derived from personal experience of failure in every other pursuit they have tried”.

There, however, the matter rested until the spring of 1869 when the appearance of the Bankruptcy Bill re-focused attention on the position of accountants in the capital. It was envisaged that the new statute would encourage a further influx of disreputable practitioners (*Law Times*, 6.3.1869, p.361) and it was noted that currently accountants were not under “the control or influence of any organised society” to regulate their activity (*Law Times*, 3.4.1869). The appearance of a pamphlet in mid-1869 on *The Origin and Present Organization of the Profession of Chartered Accountants in Scotland* by James MacClelland, the first President of the Institute of Accountants and Actuaries in Glasgow, also encouraged *The Times* to express its hope that London accountants would emulate their Scottish brethren and adopt “some kindred measures for securing their respectability and influence” (28.6.1869).

On the implementation of the Bankruptcy Act, 1869 the need for reputable accountants in the metropolis to organise became more immediate. By May and June 1870 *The Law Times* lamented how the new act was opening fresh opportunities for the dubious practitioner and also reported increasing tensions between accountants and lawyers (11.6.1870, p.101). The evidence suggests that the need to locate themselves above the increasingly visible ‘disreputable herd’ provoked accountants in London to act.

On 8 June 1870 nine of the leading accountants in London gathered in the offices of Quilter, Ball & Co, 3 Moorgate Street, and resolved “That it is highly desirable, in order to maintain and secure the efficiency of the profession, that steps be taken to form an Association of Accountants to be incorporated by Royal Charter” (MS28406, p.1). Those present on 8 June formed a Provisional Committee. On 15 June this Committee met to report the results of correspondence with the

Board of Trade on the possibility of incorporation by Royal Charter. The committee heard that “for the last two years the Privy Council has declined to grant “Charters” as they were found in various ways inconvenient” (MS28406, p.5). However, the incorporation of non-trading associations was possible under Section 23 of the Companies Act, 1867. The Provisional Committee rejected this option on the grounds that it would diminish the chance of later obtaining a charter (MS28407, p.240). In the meantime, therefore, it was resolved to establish an Institute of Accountants in London as a “voluntary association”. A Sub-Committee was remitted to actualise this objective and draft rules and regulations.

The Sub-Committee invited 63 London practitioners, representing 13% of the accountants listed in the *Post Office London Directory* of 1870 (MS28404, pp.1-2), to a meeting at the City Terminus Hotel, Cannon Street on 29 November 1870. The object was to obtain “a representative and influential Committee, by which the Institute may be inaugurated” (MS28407, p.1). William Quilter chaired the resultant meeting (MS28404, pp.2-3). Thirty-seven of the invitees attended and on signing the rules and regulations became the first members of the General Committee of the Institute. The rules declared: “The objects of the Institute are to elevate the attainments and status of professional Accountants in London, to promote their efficiency and usefulness, and to give expression to their opinions upon all questions incident to their profession” (MS28407, p.1). Membership of the Institute was to be restricted to those practising as professional accountants in London or, in the case of Associates, as clerks to practising members. The confining of membership to the public accountants of a single city conformed to the model of professional organisation in Edinburgh, Glasgow and Aberdeen and was conditioned by earlier developments in Liverpool. In December 1870 the Secretary of the Institute of Accountants in London wrote that accountants in Liverpool “have

formed an association already, and this had its weight in determining the Committee to confine themselves to London" (MS28408/1, p.6).

The available primary sources appear to confirm that the principal object of the promoters of the London Institute was to distinguish the reputable professional practitioners in the metropolis from the advancing number of self-styled accountants. In 1875 its Secretary was to state "This Institute at best can do no more than supply the public with the means of discriminating between trained accountants who stand well enough to be recommended for election, and others" (MS28408/2, p.99). One source relates that it was the partners of the small number of larger London firms who were instrumental in the organisation (A C H, 1930, p.5). The select number of established firms from which the early members and office bearers were drawn lends support to this. John Ball commented in 1876 that "The Institute had originated in the first instance in the desire which some of what had been termed 'the fathers of the profession' had felt to raise the status and aims of professional accountants" (*Accountant*, 3.6.1876). Membership of the Institute would constitute the means of delineating the leading practitioners from their lesser competitors.

The Manchester Institute of Accountants

The key actor in the formation of the Manchester Institute of Accountants was the accountant, company promoter and Liberal MP, David Chadwick (1821-1895) (Cottrell, 1984). As an accountant in both cities from the mid-1860s and given his high profile as an MP, Chadwick was well placed to initiate the organisation of Manchester accountants once the movement to form an institute had commenced in London.

Having become one of the 'first fellows' of the London Institute on 29 November 1870 Chadwick sent letters to the Manchester newspapers urging a similar organisation there. On 5 December

1870, writing under the pseudonym CODEX, he sent a letter to the *Manchester Guardian* and the *Manchester Courier* on the subject of 'Accountants'. Chadwick argued that organisation offered the prospect of addressing the "indiscriminate use of the word 'accountant'" (*Manchester Guardian*, 7.12.1870, p.3) and of closing the occupation to those who were uninstructed in its practice (also *Manchester Courier*, 7.12.1870, p.7). He stated:

*... there are several professions where it is as difficult to obtain admission as it is for a camel to go through the eye of a needle. Not so with the republic of Accountants. Theirs is open to all comers. Acknowledging the principle of universal suffrage, their number is legion. Like Jonah's gourd, they spring up in a night, and disappear long before they have had time to become naturalised. There is no other profession which can so speedily metamorphose fraudulent bankrupts into respectable members of the community. If these reflections are just, they suggest the pertinent question, - Are the business, and duties, and necessary qualifications of an Accountant of such an order as to justify the title of a "profession?" If the query is to be answered in the affirmative by the Manchester Accountants, the sooner they follow their London brethren the better for themselves and the commercial public (*Manchester Guardian*, 7.12.1870, p.3).*

Chadwick's proposal to distinguish the competent and respectable accountants through organisational membership was supported by other correspondents to the Manchester newspapers (*Manchester Courier*, 10.12.1870, p.7; *Manchester Guardian* 14.12.1870, p.7).

On 7 December 1870, the same day that Chadwick's letter was published, his suggestion was pursued by members of three accounting firms in Manchester: Broome, Murray & Co, Deloitte & Halliday (Kettle, 1958, p.7), and Chadwicks, Adamson, Collier & Co. These participants were in accord with an exhortation by Chadwick that "none but the leading accountants will attempt to carry the proposition

into effect" (*Manchester Courier*, 13.12.1870, pp.3, 5). The three firms were the signatories of the following letter addressed to other leading accountants in Manchester:

It has been thought desirable to establish in Manchester an Institute of Accountants for the purpose of promoting and protecting the interests of the profession.

Will you be so good as to meet a few of the leading Accountants of this City at the Clarence Hotel on Monday evening next at 7 o'clock to take the subject into consideration and if deemed desirable to appoint a Committee to carry the matter into effect (Minute Book, p.1).

The meeting was duly held on 12 December 1870. John Thomas took the chair and explained the advantages of organisation (Minute Book, p.1). The twelve men present then resolved to establish an institute (*Manchester Guardian*, 14.12.1870, p.6; *Manchester Evening News*, 13.12.1870, p.2; *Manchester Courier*, 13.12.1870, p.5). A committee was appointed to carry the object into effect and formulate draft rules and regulations. It was also determined that a number of leading accountants who were not in attendance should be invited to co-operate in the movement (Minute Book, p.2).

The next meeting for the promotion of the Manchester Institute was convened on 16 February 1871. Most of those who had been identified as potential participants on 12 December 1870 attended and the draft rules and regulations were adopted (Minute Book, pp.3-5). The professional body was formally established at the meeting on 16 February as 'The Manchester Institute of Accountants'. Its objects were "to increase the efficiency and usefulness of professional Accountants; to protect the interests of its Members; to express opinions upon all questions relating to the profession; and to do all such things as may be necessary for the attainment of these ends" (*Rules and Regulations*, 1871, p.3). It was provided that Fellows and Associates could use the credentials 'FMIA' and 'AMIA' respectively, and thus distinguish

themselves from less respectable practitioners in the locality. On 25 February David Chadwick was elected President of the Institute (Minute Book, pp. 6-7; *Manchester Guardian*, 1.3.1871, p.6; *Manchester Courier*, 1.3.1871, p.6).

At the first quarterly meeting of the Institute on 3 April (Minute Book, pp.8-9) Chadwick presented an 'Inaugural Address' on the objects of the new organisation. In a wide-ranging speech he applauded the attempt in Manchester to "unite the profession, and increase the usefulness of its labours" through organisation (Chadwick, 1871, p.1; *Manchester Courier*, 4.4.1871, p.5; *Manchester Guardian*, 5.4.1871, p.6). He perceived that the formation of the Institute would increase the employment of those accountants marked by membership as men of integrity and experience (Chadwick, 1871, p.5). Chadwick referred to the manner in which the 1869 Act "has opened the way for a large influx of new business to professional Accountants", especially those in whom the legal profession and the mercantile community had confidence (pp.7-8).

Summary

During 1870 and 1871 local organisations of professional accountants emerged in Liverpool, London and Manchester in response to the provisions of the Bankruptcy Act, 1869. This statute disturbed the relationships between accountants and solicitors in insolvency work. The introduction of creditor-elected trusteeships also offered the prospect of an invasion of lesser 'accountants' who threatened the position of established public accountants. The Bankruptcy Act, 1869, thus instigated conflicts *between* accountants and lawyers and created disturbances *within* the occupation of accountant. Public accountants formed professional organisations to facilitate the resolution of these conflicts.

In Liverpool a society of accountants was established to address the disrupting effects of the 1869 Act on the distribution of insolvency work between accountants and lawyers. The organisation of accountants in that city was deemed necessary by solicitors in order to negotiate and adhere to a concordat on the allocation of bankruptcy appointments between the two professions. The Liverpool solicitors conceded trusteeships to accountants provided the safeguard of organisation was in place to protect work boundaries from the intrusion of less reputable accountants. In London and Manchester there were no locally negotiated settlements between lawyers and accountants over the distribution of insolvency work. Bankruptcy trusteeships were a matter of open competition between the two professions. In these cities organisation was activated by practitioner elites anxious to preserve their advantage in the supply of professional services. Organisation was a device for differentiating superior practitioners from the influx of pettifogging accountants encouraged by the Bankruptcy Act, 1869. The strategy was to define and place distance between the two classes of 'accountant' – the member of a professional organisation and the uninstructed practitioner who was deemed unfit for admission.

The subjects raised in this chapter such as accountants' performance of insolvency work, their relationship with lawyers, the threat of an influx of usurping 'accountants', and maintaining distance between the 'professional' and 'so-called' accountant were to persist through the 1870s. This was despite the formation of accountancy bodies at the beginning of the decade. It soon became very clear that the exclusive and localised character of the organisations established in Liverpool, London and Manchester left the accountancy profession in England only partially organised and ill equipped to meet the challenges which confronted it during the remainder of the decade.

CHAPTER THREE

OPPORTUNITY LOST. THE PURSUIT OF A NATIONAL ORGANISATION, 1870-1874

The formation of city-based organisations in Liverpool, London and Manchester in 1870 and 1871 appeared to thwart the prospect of a single organisation of accountants for England and Wales. The establishment of local bodies ensured that the organisation of the profession was far from complete. Their strict conditions of admission – based on geographical location and experience in public practice – created significant communities of outsiders. The costs and procedures of admission, particularly to the London Institute were also restrictive. The conditions were ripe for the formation of other organisations and for an ongoing discourse about the desirability of a national body to represent all professional accountants.

Early calls for a central institute

Sociologists have long recognised the importance of organisation to professions. The creation of a professional association is a central tenet of a professionalisation project (Macdonald, 1995). Institutionalisation is the framework within which other attributes are developed such as systems of education and training and ethical codes. Organisation encourages cohesion, group consciousness and professional identity among the membership (Etzioni, 1968, pp.103-104; Krause, 1971, pp.88-93). National-based organisation offers greater opportunities for securing occupational control and protection, and for pursuing market advantage through credentialism and state registration (Freidson, 1994).

A single, comprehensive organisation which represents the whole professional populace is better placed to: enhance its own legitimacy; claim itself as the principal repository of professional knowledge; effectively persuade government and other influential parties; and successfully engage in territorial disputes with other professions (Abbott, 1988, pp.82-84).

Not surprisingly, as accountants had organised on a local basis in 1870 and 1871, a national institute was clearly perceived as a desirable objective from an early stage. In his letter to the *Manchester Guardian* of 21 December 1870 urging action by the accountants of Manchester, David Chadwick envisaged that "A central institute, with affiliated branches throughout the kingdom, might be established and duly empowered by special charter to confer privileges, after a graduated scale, upon such as chose to qualify themselves for the profession" (24.12.1870, p.6).

The disadvantages of institutionalising a profession, already fractured by status differences, on the basis of multiple organisations comprising local practitioner elites were apparent to Chadwick from the outset. He considered the actualisation of his 'central institute' to be: "a matter of almost national importance. The feuds and competitions which have so long existed between the metropolitan and provincial accountants have grown into a public and intolerable nuisance; and I am sure that those who have occasion to come in contact with the profession will heartily welcome any scheme calculated to abate their jealousies and rivalries" (*Law Times*, 31.12.1870, p.166). Chadwick preferred to see these differences supplanted by a profession united by a common ideal of academic excellence and meritocratic entry (*Manchester Courier*, 13.12.1870, p.3). In his 'Inaugural Address' to the Manchester Institute in April 1871 Chadwick reaffirmed his hope "That in a few years the established institutes of accountants will unite all the skilled members of the profession" (*Manchester Guardian*, 5.4.1871, p.6). In July 1871 a fellow Mancunian, C F Richardson,

similarly observed that the current organisation of the profession required attention. He argued that the local institutes of accountants should jointly apply for a Royal Charter, adding “If the accountants of Scotland were deemed worthy of a charter, why should not the accountants of England be placed in a similar position” (*Manchester Guardian*, 6.7.1871, p.3).

The deficiencies of the local and partial organisation of the profession in England soon became apparent. This was especially so with the Institute of Accountants in London whose strict conditions for admission promptly created a class of discontented ‘outs’. The confining of membership to professional accountants practising in London immediately aroused discussion and enquiry. Within days of the meeting to inaugurate the Institute of Accountants in London on 29 November 1870, its Secretary, Thomas A Welton, received letters from interested provincial accountants. On 2 December Welton informed an enquirer from Bristol that “You will observe that it is only intended to include London accountants in the Scheme, in Liverpool there is already an association (though on a different basis) and to include all England except Liverpool might be inconvenient” (MS28408/1, p.4). Another correspondent, Arthur Bayfield of Birmingham, was informed “we do not propose to embrace in our Scheme the provincial accountants, of whom I am aware there are a considerable number” (MS28408/1, p.5). Messrs Watson & Sons, Sheffield were told on 7 December that “You have correctly understood that the present intention of the founders of the Institute is that it should only include London accountants, as the name “Institute of Accountants in London” implies” (MS28408/1, p.9). Letters on the same subject from accountants in towns such as Ipswich, Dublin, Edinburgh, and Exeter met with like responses from the Secretary.

London accountants who were not in public practice were notified that “the Institute is purely one of professional accountants, not including accountants in Public Companies” (MS28408/1, pp.7, 64).

A correspondent from Bradford was informed on 22 February 1871 that membership was confined to those who actually practised in the metropolis and that if such individual had a country office in addition to a London office, he was eligible (MS28408/1, p. 28). However, on 18 April 1871 the application of William Edmonds to join the Institute was rejected by the Council on grounds that "Mr Edmonds' residence being in the country and his practice substantially also in the provinces, whilst his London business appears to be of occasional occurrence" (MS28405/1, pp.20-21). Mr Edmonds considered this decision inequitable given his presence in London for the past four years and his being engaged in the City "every week" (MS28405/1, p. 23).

Formation of the Society of Accountants in England

In late April and May 1871 the number of such enquiries about eligibility for membership to the London Institute increased. It was about this time that Alfred C Harper of Messrs Simpson, Harper and Bright, accountants, London, whose career as an accountant had only begun in 1868 (A C H, 1930, p.3), issued a circular advocating the establishment of another accountancy organisation. Harper later modestly underplayed his own role in the movement, recalling that "I do not now remember the name of the actual promoter, but our firm went heart and soul into the project. Mr. Bright was a very accomplished man ... He had a very considerable hand in the preliminary work and the eventual successful launching of the Society" (A C H, 1930, p.4). According to Harper the project was motivated by the fact that the Institute of Accountants in London was formed by the large London firms to the exclusion of smaller firms. These smaller firms were "rapidly springing up" but their members were unable, due to limited time in practice, to satisfy the severe admission requirements of the Institute: "Under these circumstances the idea of forming a society on more equitable terms and embracing the whole of England was freely discussed" (A C H, 1930, pp.4-5).

The London Institute distanced itself from the attempt to establish a national organisation. Its Secretary was anxious to report that “Mr. Harper and his friends are entirely unconnected with this Institute” (MS28408/1, p.89). In July 1871 the Secretary refused to forward to John U Wing, a signatory to the circular proposing to establish a rival body, an application form for admission as a fellow of the Institute (MS28408/1, p.105). In response to another query Secretary Welton wrote in polite but disparaging terms about the proposed competitor: “I am very little acquainted with the organisation to which you allude. I only know by negative evidence that as the principal members of the profession have nothing to do with it, and as no list of its supporters has been made public, it has but a small chance of achieving such results as have been held out to you” (MS28408/1, p.106).

In late 1871 the movement to form a Society of Accountants in England gathered pace. Accountants were circularised about a meeting in the Cannon Street Hotel, London on 11 January 1872 to discuss the establishment of a new organisation. A provisional committee had been established, comprising 62 accountants from London and provincial towns (*City Press*, 17.5.1873, p.2; *Rules and Regulations*, 1875, pp.3-4). This circular encouraged a number of queries about whether the Institute of Accountants in London intended to extend its scope beyond the capital. On 12 December 1871 the Council of the Institute discussed letters from Messrs John Watson & Sons, Sheffield, asking the Secretary whether “the applications of Country Accountants wishing to join your Association had met with the favourable consideration of your Council. As we are occasionally receiving communications from the Association of Accountants in England requesting us to join their Society we shall feel obliged by your definitely informing us what is doing in the matter” (MS28405/1, pp.63-64; MS28408/1, p127).

Letters by the Secretary of the London Institute written on 2 January 1872 suggest that he was initially unaware that a meeting to establish a Society of Accountants had been planned for 11 January.

Having now received a published list of its subscribers he related "I obtain for the first time an idea of the extent to which this project has received support" (MS28408/1, p.130). On 5 January 1872 the Council of the London Institute considered letters from the principal firms in Newcastle who had met on 3 January to discuss their response to the movement to establish a new society. It is clear from one of these letters that the Newcastle firms were anxious about the excessive inclusiveness of the new organisation and looked to the Institute to accommodate them instead: "In the first place, it [the Society] has not got the right people at the head, and second, they seem disposed to admit any man who chooses to call himself an Accountant without any other test or qualification" (MS28405/1, p.70). The letter continued, the Provisional Committee of the Society "seem quite second-rate men, at least the provincial names, and some of the town names seem even third-rate" (MS28405/1, p.70). Further, "many of the principal accountants in Liverpool, Manchester, Bradford, Sheffield and other large towns, are pretty much of our opinion as to the present position of the proposed society. So far as our own feelings are concerned, we do not wish to see the proposed society established; we should much prefer to see the London Institute of Accountants extend their Society to the provinces, and admit the principal provincial accountants" (MS28405/1, pp.70-71).

Another letter, from Messrs Miller, Monkhouse, Goddard & Co, Newcastle, also referred to a query at the time of the formation of the Institute in London concerning the admission of the "principal provincial accountants" and whether the Institute's attitude had changed given "that Messrs Simpson, Harper & Bright and some other firms are endeavouring to form a "Society of Accountants in England" and that a meeting is called for the 11 January next at the Cannon St Hotel" (MS28405/1, p.68). Further "a long list of names of firms who have promised to attend the meeting" had been compiled (MS28405/1, p.68). The letter reported that the senior firm

in Newcastle, Messrs Gillespie Swithinbank & Co, had sent a circular to the principal provincial accountants craving their attendance at a preliminary meeting on 10 January to determine a “united course of action”. The letter concluded: “We think that the extension of the “Institute of London Accountants” to the principal provincial firms would in every way be more desirable and beneficial to the Profession generally than the formation of another society. If you and any other members of the Institute agree with us could we not arrange to meet you on the 10th before the general meeting [on the 11th] in order to hear your views and discuss the matter” (MS28405/1, p.69). Messrs Miller, Monkhouse, Goddard & Co. were informed that after careful consideration the Institute, at its inauguration, had determined not to extend “its operations to the Provinces” (MS28405/1, pp.66-67) but would be prepared to receive a deputation of provincial accountants to discuss the matter on 10 January 1872 (MS28408/1, p.131).

The meeting of provincial accountants organised by Messrs Gillespie Swithinbank & Co. duly met on 10 January 1872. It contained representatives of the Manchester Institute, Liverpool accountants and firms from several towns such as Leeds, Sheffield, Hull and Southampton. The meeting resolved that the London Institute should admit “the respectable Practitioners of the Provinces” and be reconstituted as a “National Association of Accountants in England” (MS28405/1, p.73). In a clear reference to the inadequacies of the proposed Society of Accountants, the meeting determined that it could not support such an organisation unless it comprised “the best Practitioners both in Town and Country nor the standard of which as regards professional standing and position is lower than that fixed by the Institute of Accountants in London for the admission of members into its body” (MS28405/1, p.73). The same afternoon a deputation from the meeting was sent to discuss these resolutions with the Council of the Institute of Accountants in London.

Once the deputation had been heard the Council of the Institute considered its response. At this key moment, when a swift and unambiguous decision was required (the meeting to set up the new Society being imminent), the Council erred on the side of caution. It concluded that the plan of the provincial accountants for a national association was "not in a shape to enable the Council to deliberate upon it" but would consider future representations by leading provincial accountants (MS28405/1, p.74; MS28408/1, p.133). The Society of Accountants in England was established the following day.

The public meeting of accountants from England and Wales which assembled at the Cannon Street Hotel on the afternoon of 11 January 1872 to inaugurate a national society of public accountants was well attended (*Times*, 12.1.1872, p.7; *City Press*, 13.1.1872, p.5). 428 signatories in favour of the formation of the Society had been received "from the various great towns of the country alone" (*City Press*, 13.1.1872, p.5). The chairman of the inaugural meeting, Joseph Davies, of Davies and Voisey, public accountants, and the Mayor of Warrington (A C H, 1930, p.5), outlined the advantages of an organisation. Given that "exclusiveness and monopoly would lead to disintegration" (*Times*, 12.1.1872, p.7), he declared that "it was intended that the doors should be shut to no member of the profession in the kingdom" (*City Press*, 13.1.1872, p.5). However, Davies expected that the organisation would "weed out those who bought discredit upon them" (*Times*, 12.1.1872, p.7).

G M Bright, of Simpson, Harper & Bright, London then argued that accountants required an established status. He accordingly proposed "That this Meeting, recognising the necessity of founding a Society representing the profession of Public Accountants practising in England, resolves that 'The Society of Accountants in England' be and is hereby established" (*Rules and Regulations*, 1875, p.5; A C H, 1930, p.6). At this point the meeting became more heated. T Y Strachan of Newcastle, one of the deputation of provincial accountants who

had met the Council of the Institute the previous day, rose to argue that the status of the profession would not be raised by admitting all applicants without restriction. Further:

... it was premature to form a society before the movement was supported by the leading accountants of London and the provinces, whose names were conspicuous by their absence from the list of the provisional committee; and he therefore moved an amendment which, after affirming the necessity for a society, expressed the opinion of the meeting that such a society should be formed, and that it should include the most respectable members of the profession (Times, 12.1.1872, p.7).

The Times reported that Strachan's suggested amendment was met with cries of "oh, oh!". He was then "directly contradicted" on arguing that the proposed Society was antagonistic to the London Institute. Strachan was informed that the respectable men of the profession had been invited to join but had declined and that many of those present were leading members of the profession. In response to Strachan's intervention, Joseph Davies was invited to withdraw his assertion that all applicants would be accepted as members of the Society. He refused, affirming that the Society would be "like a funnel, with a wide mouth and a contracted neck". Strachan's amendment, seconded by G B Monkhouse of Newcastle, who had also attended the Institute the previous day, was lost and the motion to establish the Society was carried. *The Times* noted that although there was a large majority in favour "a considerable number present ... did not vote" (12.1.1872, p.7). Further, while the "remaining business was despatched a little more smoothly" it was "not without criticism" (12.1.1872, p.7). The first Council of the Society of Accountants was elected, comprising eleven members "for London" and 15 "for the country". A committee of seven councillors was appointed to frame rules and regulations.

Controversy arose when it was noted that two committee members were drawn from the same London firm.

The rules and regulations of the Society of Accountants were approved at a second general meeting on 14 March 1872 (*Rules and Regulations*, 1875, p.7). The *Solicitors' Journal* reported that the objects of the Society were:

To promote, in every way, the complete acquisition of those branches of knowledge which are essential to the practice of an accountant; to decide upon questions of professional usage or courtesy; to advance generally the efficiency and character of members of the profession, and so to guard those vast public interests which are now annually committed to the skill and honour of the accountant (23.3.1872, p. 380).

The *Rules and Regulations* of the Society for 1875 (p.9) indicated subsequent amendment:

The objects of the Society are - To promote the acquisition of those branches of knowledge which are essential to the practice of an Accountant; to decide upon questions of professional usage or courtesy; and generally to advance the position and interests of Members of the profession (p.9).

At the second gathering of the Society of Accountants it was reported that there were now 101 members and considerable interest had been shown by provincial accountants (*City Press*, 16.3.1872, p.3). Rapid expansion was assured as membership was to be "as catholic as possible" (*City Press*, 16.3.1872, p.3). The Council of the Society rejected the notion of a guild-like organisation to represent large firms and determined "to accept all public accountants who conducted their business on honest principles" (*City Press*, 16.3.1872, p.3). It was revealed that the Society intended to launch a magazine, prepare an accountants' directory, examine the question of scales of accountants'

charges, and foster the “mutual agency of accountants in town and country” (*Manchester Guardian*, 15.3.1872, p.8). Alfred C Harper was appointed Secretary of the Society. The organisation was run from his office.

It would appear that the Institute of Accountants in London did not consider the formation of the Society as a serious threat. In a letter dated 26 January 1872 the Secretary wrote: “to the best of my judgement the opposition ... will do the Institute more good than harm. I believe we shall be applied to by the most eminent provincial practitioners and shall, on such application being made, take steps to enlarge the scope of the Institute” (MS28408/1, p.139). In fact, the Institute underestimated the activism of the Society and its potential to become the largest accountancy body in England and Wales. The Society’s publicity to attract members appeared in the law press where its initial activities were also reported. A circular about the Society was placed in *The Law Journal* and an accompanying article suggested that it was the only organisation of professional accountants. The Secretary of the Institute of Accountants in London complained to the editor of the offending periodical: “I gather that you are not aware of the existence of this Institute. I beg to forward you herewith a printed copy of our Rules, accompanying which is a List of Members which I beg your reference” (MS28408/1, p.144).

Demands for a national institute of accountants

The Institute of Accountants in London made an early, though largely ill-fated attempt to create an organisation covering the United Kingdom. Following the formation of the Society of Accountants in England there was widespread discussion about the Institute taking the lead in forming a national body for reputable practitioners. The issue was rendered more pressing by the fact that on 14 March 1872 the Society of Accountants had agreed rules, the last of which read

“The Council is empowered to take all such steps as may be necessary for obtaining a Royal Charter of Incorporation of the Society” (*Rules and Regulations*, 1875, p.30). Given its unique status as a national organisation, there was some prospect that the Society might apply for incorporation before the more senior but local organisations. On 17 April 1872 two members of the London Institute urged a response. They asked about “the possibility of the Council being in a position to recommend an extension of the scope of the Institute, so as to include provincial members” (MS28404, p.21).

In the context of the activity of the Society of Accountants and its own predilection for “a really National Association, upon a sound basis ... as the best means by which a charter of incorporation may be obtained”, the Manchester Institute of Accountants was also anxious that the London Institute take the lead (Minute Book, p.39). On 1 April 1872, having learned that its Secretary had received a delegation from the Society of Accountants “for the purpose of conferring as to the desirability of the Manchester Institute of Accountants joining with them in order to pave the way for a National Organization” (Minute Book, p.36), the Council of the Manchester Institute “thought it desirable that a National Organization of Accountants should be formed but were of the opinion that the London Institute of Accountants should take the initiative in the matter. With this view the Council instructed the Treasurer and Secretary to prepare and forward a communication to that Institute suggesting the desirability of a National Society being formed and requesting their co-operation in the matter” (Minute Book, p.36). On 29 April 1872 Edwin Collier, Honorary Secretary of the Manchester Institute, reported to the London Institute:

At a general meeting of the Council of this Institute the feeling was unanimously expressed that a National Organisation for our profession has become eminently desirable, and it was hoped that the really leading accountants in the metropolis would be good enough to take this topic into consideration, and at an early day call a meeting

giving the provincial towns an opportunity of sending delegates to London to consider the basis on which such an organization might be formed (MS28405/1, p. 84; Minute Book, p. 43).

Collier wrote that the meeting of the Society of Accountants during January had not settled the question of a national organisation as those attending were not representative of provincial or London accountants. The Council also learned that the “best country practitioners” who had convened on 10 January 1872 had not joined the Society because its doors were opened “so extremely wide” (MS28405/1, p.86). Consequently, the provincial accountants had met again and determined to submit a memorial to the Institute of Accountants in London.

On 7 May 1872 the Council of the London Institute, having considered Collier’s letter on the admission of ‘country accountants’, determined to review the constitution of the Institute and render provincial accountants eligible for membership (MS28405/1, p.82). However, Collier’s suggestion of a meeting to include delegates from the provinces was deemed “at present a little premature” (MS28408/1, p.146). On receiving this rather disdainful reply the Council of the Manchester Institute determined to leave the matter in the hands of its counterpart in London (Minute Book, p.43). Meantime, the Secretary of the London Institute encouraged Swithinbank of the provincial accountants to forward the signed memorial promptly “as it is desirable to bring the question to a settlement” (MS28408/1, p.145). The opinions of the Liverpool Society and Manchester Institute were then sought on the London Institute’s proposals for broadening its scope. H W Banner of the Liverpool Society responded that the “old practitioners” in that city stood aloof from the Society of Accountants and the provincial accountants until the view of the London Institute on these movements were known. Resonant with David Chadwick’s earlier suggestion, Banner argued that the profession should be organised on the solicitors’ model of a national body and local law

societies. Banner perceived that the extension of the Institute would have “good and salutary influence” (MS28405/1, p. 91).

On 9 May 1872 William W Deloitte, a member of the Council of the London Institute and a member of the Manchester Institute wrote to James Halliday, Vice President of the Manchester Institute. Deloitte's letter reveals that the object of the Institute of Accountants in London was not the formation of an inclusive national body but one where leading provincial practitioners would be admitted under the Institute's rules. This would enable a claim to 'national' status “and thus establish a position to justify them in applying to Parliament for a Charter [at] the earliest opportunity” (MS28405/1, p.92). Deloitte asked whether the members of the Manchester Institute would be prepared to join an extended London Institute for this purpose.

Although the Institute had been frustrated in its earlier inquiries about the prospect of a Royal Charter, this clearly remained an objective. In January 1872 the Institute in London received an encouraging letter from one of its members, Ebenezer Erskine Scott, who was also a member of the Society of Accountants in Edinburgh (Stewart, 1977, p.149). Scott advised the Council that although the Board of Trade insisted that no charters would be granted because incorporation could be secured under Section 23 of the Companies Act, 1867, the Faculty of Actuaries (in Scotland) had received a charter in 1868, that is, after the companies legislation came into force. This had been achieved by exploiting influential connections in the Board of Trade, emphasising that the Faculty was not a trading organisation and by quoting the precedent of the charter granted to the Society of Accountants in Edinburgh in 1854. Scott advised the Council to follow the same course (MS28405/1, p.79).

Halliday of the Manchester Institute responded to Deloitte that several attempts by the Society of Accountants in England “to carry us over” had been resisted and that the Society had attracted no Manchester accountants “of any standing” (MS28405/1, p.92).

However, he iterated the desire in Manchester for a serious attempt to form a national institute. Following a meeting of the Council of the Manchester Institute on 13 May Halliday reported to Deloitte:

The desire is very strong for a National Institute but how this is to be brought about must be a subject for a conference.

As soon as your Institute is prepared to take up the question, I have no doubt we will be prepared to co-operate with you.

I need not say that the other Society in London which claims to have a much wider basis than yours is very active and although they have not succeeded here I believe they have been very successful in other places in getting Accountants to join them (emphasis in original, MS28405/1, p.93).

On 16 May 1872 the Secretary of the London Institute wrote to G W Spence of Gillespie, Swithinbank & Co, Newcastle, to explain that the Council “are more and more convinced of the utility” of extending the Institute to “the best men in the provinces” and offered some hints on formulating a memorial (MS28408/1, pp.146-147). Secretary Welton suggested that “The institute generally is so favourable to the proposed change” that a memorial signed by twenty “really good names” would suffice (MS28408/1, pp.146-147). Later in May 1872 the promised memorial from provincial accountants, containing the signatures of 39 accountants practising in 15 towns, was received in London. The memorialists urged the Institute to extend its membership to properly qualified and competent persons in the provinces and thereby enhance the status of the profession (MS28405/1, pp.88-89).

Having considered these papers the Council of the London Institute resolved on 21 May 1872 to admit properly qualified accountants outside the metropolis and to alter its rules accordingly. The Institute’s solicitor was urged to prepare amended rules to allow

country accountants to become members on paying the same fees as the founders. It was also thought "by some" desirable to augment the Council to admit "a few eminent Country Accountants". It was recognised that "the matter is somewhat pressing" (MS28408/1, pp.152-153). Being invigorated by the prospect of applying for a Royal Charter, and the importance to an application of naming the most respectable practitioners from the country, the Institute did not pursue the idea of forming an inclusive national organisation. Rather, it made changes to the rules which marginally extended its membership to leading provincial accountants.

On 17 July 1872 a general meeting agreed to amend the rules to enable the extension of the scope of the Institute "so as to include the whole of the United Kingdom" by extending the arrangements for the admission of original members to 1 July 1873. This entailed the inclusion of "properly qualified professional accountants practising elsewhere than in London" (MS28404, pp.22-26) and a change of name. The Institute of Accountants in London would now become the Institute of Accountants. Having scrutinised the amended rules Collier, the Secretary of the Manchester Institute, wrote to his counterpart in London to urge a "fusion of the two Institutes" rather than incremental change towards unification: "My idea of a Union of the various Institutes of Accountants would be, that they should endeavour to form a common platform upon which they could be united, in order that they might, by such union, be more able to obtain a charter of incorporation, or form themselves into a strong body for the protection of the interests of the Profession of Accountants" (MS28405/1, pp.106-107). On 23 July 1872 Secretary Welton responded coldly to the notion of a union of the institutes. He argued that entry fee levels were significantly different in London and Manchester and that the London Institute would not depart from the principle of admission based on the recommendation of existing members (MS28408/1, p.162).

The unsuccessful attempt to create an accountancy organisation for the UK

The extension of the scope of the Institute in London to “the whole of the *United Kingdom*”, clearly ventured into the domain of the organisations extant in Scotland. This elicited an approach from James Meston, one of the leading founders and Secretary of the Society of Accountants in Aberdeen (Stewart, 1977, p.108). Meston wrote to Welton about the possibility of his members joining the Institute of Accountants. Meston was informed that membership of the Institute was unlikely to prove advantageous to Aberdeen accountants given the outlay of entrance fees and subscriptions. However, while Welton conceded that the Institute was not actively pursuing members in Scotland he added “any accession to our membership from that quarter will be valuable” (MS28408/1, pp.162-163).

The objective of including leading provincial accountants in the Institute of Accountants made little headway. By October 1872 no applications had been received and George Swithinbank of Newcastle was encouraged to submit “the application of your friends for admission” (MS28408/1, pp.171-172). Slow progress was attributed to the fact that practitioners in Newcastle were encountering difficulty in satisfying the requirement that membership applications required the signatures of three Institute Fellows. All Fellows were based some distance away in London (MS28408/1, p.176). In December Secretary Welton reported that he was unable to find members of the Institute’s Council who would recommend two applicants from the country, and suggested to Swithinbank that those who were most likely to secure three signatories should come forward first. Once these individuals became fellows, they might sign the papers of other applicants from the provinces (MS28408/1, p.179). While the rule about entry based on recommendation was clearly cumbersome and prohibitive, Welton insisted it was “too essential to be got rid of”. He advised, “if

you will kindly take a little trouble to avoid its operating as a bar to your friends all will go well I am sure" (MS28408/1, p.179). These expectations were not realised. In early April 1873 Welton complained to Swithinbank that only one provincial member had been elected, an application had been withdrawn and another returned as incomplete (MS28408/1, p.189).

The London Institute therefore, anxious to retain rules of admission which maintained exclusivity, failed to take the opportunity to restructure itself as a comprehensive national organisation. Regret was expressed in the annual report presented to the annual meeting of the Manchester Institute on 7 April 1873: "Among the circumstances which the Council regard as lending to diminish the achievements of the year may be mentioned the expectation that the profession might succeed in establishing a National Institute in London: but as this expectation has so far led only to disappointment it now seems clear that the members of the Manchester Institute should pursue their own way with all possible vigour" (Minute Book, p.65). The Manchester Institute reconciled itself to continuing as a local organisation. By June 1873 one of its senior members, John Thomas, authored a paper entitled 'A Few Thoughts on the Proposal to Establish a National Institute of Accountants' in which he argued against such a prospect (Minute Book, pp.71, 75).

At the annual general meeting of the London Institute on 23 April 1873 it was reported that the notion of the Institute transmuting into an organisation covering the United Kingdom through alterations to its rules of admission was proving unsuccessful. The amended rules were too prohibitive:

Up to the present time, the number of applications which have come in under these Rules is inconsiderable. The practical difficulty which attends the requirement under Rule 6 of a recommendation signed by three Fellows, is found to present a more serious obstacle to the admission of provincial members than was anticipated when the new

Rules were framed. But with care and organization the leaders of the movement amongst the provincial accountants might still overcome this difficulty (MS28404, p. 31).

The Council of the Institute of Accountants was adamant, however, that it would not relax the offending Rule 6 which, it considered, was “the only real security they can have for the professional competency and status of candidates” (MS28404, p.31). Neither did the Council perceive any necessity for opening the doors in its local domain. At the same meeting the fact was noted that very few applications had been received from London accountants. Only two fellows and one associate had been admitted over the past year. This was wrongly perceived as “a subject of congratulation” on the grounds that “the profession, in the Metropolis at least, is thus shewn to have practically completed its organization” (MS28404, p.32). This view was not shared at the annual meeting of the Society of Accountants in England in May 1873. Buoyed by an increasing membership (which had increased to 170), attendees discussed ways of further advance towards ensuring that accountancy attained “a social recognition as a peculiar profession”, as was the case in Scotland. Although it was considered that the time was not yet right to apply for a charter or act of incorporation, it was hoped that such recognition of the profession was not a distant prospect (*City News*, 17.5.1873, p.2).

The Institute of Accountants stood aloof from such lofty aspirations. Instead it focused on rendering its procedures for the entrance of leading country accountants workable. In June and July 1873 the Council of the Institute again discussed correspondence from provincial accountants who found Rule 6 prohibitive. One complained that “a large number of country practitioners are not professionally acquainted with three London accountants who are members of the Institute and according to Rule 6 each application must be accompanied by a written recommendation from at least three Fellows of the Institute” (MS28405/1, p.125). By June 1873 only three

provincial members had been admitted (MS28408/1, p.201). Therefore, at a special general meeting on 23 July 1873 it was agreed to extend the period for the admission of provincial members under Rule 6 to 1 July 1874 (MS28404, p.37). The Council did so "in the expectation that their Provincial brethren will turn to account the extension of time". It was envisaged that once 20 or 30 provincial members were admitted the problems of securing recommendations would cease. These expectations were to be disappointed.

Despite Secretary Welton's active pursuit of eligible country practitioners (MS28408/1, p.226), applications continued to be received from provincial accountants unable to secure sufficient recommendations. The problem was that London practitioners were ill-placed to "certify fitness from personal knowledge" (MS28408/1, pp.232, 235). In October 1873 Swithinbank attempted to arrange a meeting of provincial accountants in London to find ways of overcoming the constraints imposed by Rule 6. The Council of the Manchester Institute rebuffed Swithinbank's proposal stating that "the Council were not prepared at present to join the London Institute on the terms proposed by that Institute" (Minute Book, p.80). By 31 March 1874 the Council of the Institute of Accountants could report the addition of four provincial accountants to its number "with the view of promoting a community of interest between the London and Country Accountants". However, only thirteen provincial accountants had been admitted as members of the Institute (MS28404, pp.46-47). In the following month, the Manchester Institute decided to investigate the possibility of pursuing a new strategy - co-operating with the Liverpool Society to form an "Institute for the whole of the Northern and Midland Counties" (Minute Book, p.82).

Summary

When accountancy organisations were contemplated and formed in three English cities, influential practitioners such as David Chadwick urged the creation of a centralised body which would supplant the petty jealousies and status differences which divided the profession. The exclusivity of the local organisations, and of the Institute of Accountants in particular, encouraged a movement for a national Society of Accountants. The London Institute maintained an arrogant disdain when confronted with the emergence of a rival organisation of broader scope than itself. The promotion of a national Society of Accountants encouraged some leading northern accountants to enquire whether the London Institute was prepared to open its doors to those beyond the metropolis and become a 'National Association of Accountants in England'. In January 1872 the Institute's response to this proposal was too late to avert the formation of the Society of Accountants in England.

Despite the formation of the Society of Accountants in England and its rapidly growing membership, the Manchester Institute, supported by the Liverpool Society, urged the London Institute to become a national organisation comprising the leading practitioners in the capital city and the provinces. This received support within the London Institute because national status would enhance the case for the award of a Royal Charter. In July 1872, following the submission of a memorial by provincial accountants, the Institute of Accountants in London amended its rules. Its scope was widened to the UK, four country accountants were added to its Council and its name was changed to The Institute of Accountants. However, the Institute was determined to ensure that only those of good repute from the provinces were admitted. To achieve this entry was dependent on provincial accountants gaining the signatures of three Fellows of the Institute. This proved extremely difficult as existing Fellows were located in London.

As a result few country accountants were admitted and the Institute of Accountants continued to be an exclusive organisation dominated by public accountants in the capital. The Manchester Institute suggested unification with the London Institute but was rebuffed. It subsequently decided to entrench its localised scope. The Manchester Institute also explored with the Liverpool Society the idea of regional rather than national restructuring by suggesting a merger to form an institute for the North and Midlands.

The response of the Institute of Accountants in London to the demands from the provinces for a national organisation had proved inadequate and encouraged the other city-based bodies to entrench their localism. The accountancy profession in England and Wales was therefore bereft of a united national vehicle for the defence of its interests. Those interests were increasingly threatened during the mid to late 1870s.

CHAPTER FOUR

THREATS TO THE CONTROL OF WORK. ACCOUNTANTS AND BANKRUPTCY LAW REFORM

Insolvency administration was a major source of income to public accountants during the 1870s. Through its provisions to extend creditor control and the apparent desire of government that trusteeships be occupied by professional men, the Bankruptcy Act, 1869 was perceived as elevating the status of accountants. The first accountancy organisations in England were formed in 1870 and 1871 to address the impact of this statute on inter and intra-professional jurisdictions in insolvency work. Although it was widely expected that the new legislation would offer an enduring solution to the long standing problem of implementing an optimal system of bankruptcy administration, the 1869 Act was soon subject to adverse criticism. During the 1870s there was mounting concern over the principle of creditor control and the practical working of the 1869 Act. Numerous proposals for legislative change were advanced (*Hansard*, 8.4.1881). In fact, the defective working of the 'Scotch system' was to culminate in a return to officialism with the passing of the Bankruptcy Act, 1883.

The manner in which trusteeships were awarded, competed for and remunerated under the Bankruptcy Act, 1869 aroused discontent and influenced public perceptions of those who most occupied that office, accountants. During the 1870s accountants were frequently implicated in the negative discourse on the Bankruptcy Act and found themselves under siege from bankruptcy officials, the judiciary, the government and a hostile press. The persistent threat of reforming bankruptcy legislation

after 1875, in which the regulation of trustees was high on the agenda, threatened the pecuniary interests of accountants and highlighted the need for a united organisation to represent their views.

The defects of the Bankruptcy Act, 1869

“By the early 1870s, disenchantment with the new bankruptcy system had become widespread” (Markham Lester, 1995, p.171). Technical defects in the legislation soon became apparent and the envisaged reduction in the cost of administering insolvent estates under creditor control proved elusive (*Law Magazine and Law Review*, 1871, pp.268-274). Moreover, the 1869 Act encouraged a host of misdemeanours. By 1874 officials such as the Senior Registrar of the London Bankruptcy Court were complaining to the Lord Chancellor that “It is absolutely painful to those who have to administer the Law of Bankruptcy in this Court, to be the daily witnesses of abuses which we have so little power to remedy” (LCO 1/16, 20.6.1874). The Lord Chancellor reported to the House of Lords in 1876 the “great complaints” about the working of the Act (*Hansard*, 1.6.1876). In January 1879 fifty of the leading banking and mercantile houses petitioned the Prime Minister, Benjamin Disraeli, to complain that “the experience of every year adds largely to the body of disastrous facts which show that the speedy amendment of the Act of 1869 has become one of the most urgent necessities of the time, both in the interest of the mercantile class and for the maintenance of that high tone of commercial morals and honour for which this country has been distinguished” (*Accountant*, 1.2.1879, pp.10-11).

The foremost historian of Victorian bankruptcy legislation has identified three fundamental problems with the Bankruptcy Act, 1869 (Markham Lester, 1995, pp.170-184). First, the measure contained limited provision for the scrutiny of the affairs of the bankrupt (Markham Lester, 1995, p.182). Second, rather than take advantage of

the statutory provision for their closer management of bankrupt estates creditors tended to be apathetic (Markham Lester, 1995, pp.172-178; Weiss, 1986, p.46). Inattentive or 'supine' creditors, sceptical about the recovery of debts, recoiled from exercising the powers conferred by the 1869 Act (*Hansard*, 17.2.1879; 16.7.1879). Rather, they divested responsibility by granting proxies to their agents. In 1875 a Committee appointed by the Lord Chancellor to investigate the working of the 1869 Act reported:

It happens, not occasionally, but so frequently as almost to form the rule, that a stranger, so far as appears on the face of the proceedings, is enabled, by the proxies he has obtained, to vote himself trustee, to fix his own remuneration, to nominate the committee of inspection, to order the payment of his costs, and finally to vote, in liquidation cases, the debtor's discharge ... nearly all the evils which have led to so much dissatisfaction with the working of the Act of 1869 can be traced to the direct or indirect effect of the proxy system; and that in our opinion no effectual check can be given to these evils so long as remunerative employment is the prize for which proxies can be used (*Hansard*, 1.6.1876; Markham Lester, 1995, pp.181-182; General Report, 1874, p.3; *Accountant*, 21.8.1875).

Touting for proxies resulted in considerable variation in the quality of managing bankrupts' property. Much depended, claimed the senior official, the Comptroller in Bankruptcy, on "whether the creditors have exercised discretion in the selection of a representative, or have given their proxies to the first professional agent who may have applied for them" (General Report, 1873, p.2). Given the apathy of creditors the practical working of the 1869 Act ensured that considerable power was placed in the hands of the trustee. The Lord Chancellor summarised the state of affairs as follows: "the trustee is not appointed by a vigilant body of creditors to represent their interests, but is appointed in his own interest as a person who is to obtain a lucrative office in winding

up the concern of the debtor. The control which is exercised over him is entirely general" (*Hansard*, 17.2.1879).

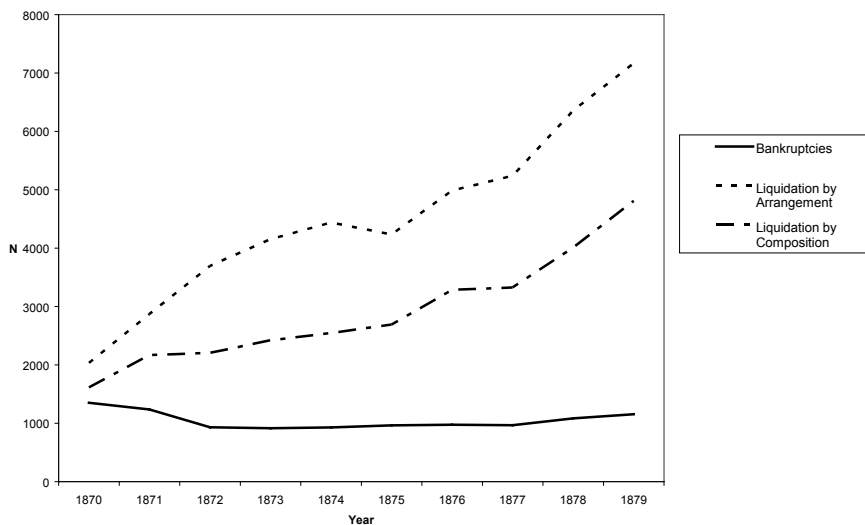
A third fundamental problem with the Bankruptcy Act, 1869 was its encouragement of winding-up under liquidation by composition or arrangement, as opposed to bankruptcy proceedings. Liquidation schemes, instigated by the debtor with the concurrence of creditors, were an inadequately supervised form of insolvency administration. The 1869 Act had not provided that the accounts of trustees under liquidations would be subject to audit by the court, neither were trustees bound to bank the funds of the estate, or debtors and trustees required to be formally discharged by the court. Frequent complaints were made that the proxy system was used to ensure the election of unchecked and rapacious trustees in liquidations. These trustees were vilified for prioritising the interests of the debtor over the apathetic creditors and for turning "the management and division of the estate into a means of enriching themselves" (Steel, 1881, p.25; Markham Lester, 1995, pp.178-182).

One bankruptcy official reported "The trustees under liquidation never have their bills taxed; they charge what they like and do what they like; it is a perfect swindle" (quoted in Steel, 1881, p.27; *Hansard*, 1.6.1876; 11.3.1878). An instance of excessive charges in liquidations was brought to the attention of the Council of the Manchester Institute of Accountants. In December 1875, following a complaint from a leading merchant, the Council determined that the firm of John Thomas, one of the founding members and Treasurer of the Institute, had charged fees as trustee in a liquidation that were excessive. The Council also resolved that in all cases trustees' remuneration should be determined by the creditors not the trustee (*Minute Book*, pp.159, 161-162, 166-167, 174).

Although they were associated with such abuses, liquidations were extremely popular during the 1870s (see Figure 4.1). Being substantially out of court they allowed the insolvent trader to avoid

the formal processes of bankruptcy and the adverse publicity attached to it (Salaman, 1871; *Accountant*, 11.9.1875). As early as May 1870, *The Law Times* was complaining that there were four liquidations by arrangement for every bankruptcy (7.5.1870, p.3). In fact, only 13% of insolvency cases from 1870 to 1879 under the 1869 Act were administered as formal bankruptcy proceedings. 53% were administered under liquidations by arrangement and 34% under liquidation by composition (*Solicitors Journal*, 8.1.1881, p.180; Davison, 1879; *Hansard*, 17.2.1879). In 1870 27% of insolvencies were recorded as bankruptcies. By 1879 the proportion was only 9%.

Figure 4.1 *Bankruptcies and Liquidations under the Bankruptcy Act, 1869*



Source: data from *Solicitors Journal* (8.1.1881, p.180).

During the late 1870s the Comptroller in Bankruptcy expressed his astonishment at the growth in liquidations: "it appears *prima facie* remarkable that the creditors should prefer the method of administration which is so much preferred by debtors and professional agents, for whatever is gain to the two latter classes is loss to the creditors" (General Report, 1877, p.5; 1878, p.1). Given that there was no obligation to submit accounts in liquidations to the Comptroller there existed "a vast amount of insolvency in England and Wales" on which little was known (General Report, 1878, p.2), escaped regulation and was attended by an "enormous amount" of fraud (p.21). In 1880 the Comptroller noted that criticism of liquidations was increasingly vitriolic, attracting comments such as: "an organised system of plunder" and "a scandal to law and commerce" (General Report, 1880, p.5). Much of the adverse comment about liquidations arose from the fact that canvassing for proxies in such cases had reached new depths. Proxies were being sold and bartered as agents attempted to secure trusteeships and the concomitant award of substantial fees.

A profession under siege: criticism of accountant trustees

As illustrated above, the appointment and remuneration of trustees was at the centre of much of the criticism of the Bankruptcy Act, 1869, and most trustees were accountants. Evidence for this comes from a variety of contemporary sources, in particular the annual reports of the Comptroller in Bankruptcy. In his report for 1872 the Comptroller stated that "the trustee is usually highly paid, and most frequently a professional accountant, or a solicitor" (General Report, 1873, p.2). In 1875 he confirmed "The great majority of bankruptcies under the present Act have been wound up by professional trustees, mostly described as accountants" (General Report, 1876, p.2; *Hansard*, 1.6.1875). Others confirmed the Comptroller's observation. In 1874

the Manchester Institute of Accountants declared that “in the working of the ... Act the usual practice is for Creditors to appoint professional accountants as Receivers, Managers and Trustees” (Minute Book, p.120). *The Accountant* went so far as to claim “The question of the status, duties, responsibilities and remuneration of official liquidators, is a very important one for accountants. From their class almost all liquidators are chosen, both for the administration of the estates of public companies and of private individuals” (9.3.1878, p.4). In 1879 an MP declared that “a bankrupt estate in England was always handed over to professional accountants” (*Hansard*, 16.7.1879).

An analysis of the ‘Appointments and Dividends’ section of *The Accountant* from 1 July 1878 to 30 June 1879 suggests that while the latter comments rather exaggerate their share of personal and corporate insolvency work, accountants claimed a substantial clientele in this field. Of the 460 official corporate liquidations mentioned, accountants held 153 appointments (33%); of the 3,430 liquidations under the 1869 Act referred to, accountants held 2,449 (71%) of trusteeships; and of 1,089 bankruptcies, accountants were trustees in 736 (68%) cases. This analysis lends some support to *The Accountant’s* assertion that liquidation by arrangement under the 1869 Act “gives accountants more occupation than any other method” of insolvency administration (2.2.1878, p. 4).

As criticism of the Bankruptcy Act, 1869 increased the professionals who were awarded most trusteeships, accountants, often found themselves collectively accused of exacerbating the shortcomings of the statute. Touting, the rising cost of administration and the fraudulent use of estate funds were laid at the door of accountants. Accountants were not well placed to respond as a class to such criticism. As *The Accountant* was to comment in 1880, on the subject of bankruptcy, “The opponents of professional trustees have, to a great extent, monopolised the public ear ... they have been ever active in the controversial field, whereas, until recently, there has been no great readiness on the part

of [individual] professional trustees to defend themselves against such attacks” (13.3.1880, p.4). Being partially and locally organised, professional accountants, were not well equipped to prevent their reputations being publicly damaged by the often indiscriminate blackening of insolvency trustees.

Adverse criticism came from a number of influential sources. These included functionaries in the administrative, judicial and legislative arms of the state, the media and interest groups. More specifically, the complaints of bankruptcy officials, certain judges, the newspapers, and various trade and mercantile organisations, placed accountants under siege. The complaints emanating from each of these sources are now examined in turn.

Accountants and the judiciary

During the early 1870s judges, who were accustomed to hearing representations from lawyers, seem to have tolerated the appearance of accountant-trustees before the courts as an unpleasant consequence of the Bankruptcy Act, 1869. Within a few years, however, the activities of some ‘accountants’ in bankruptcy cases began to irritate the judiciary (*Solicitors Journal*, 22.2.1873, pp.324, 331; 1.3.1873, p.351; 10.5.1873, pp.543-544). In October 1873, for example, a judge at Keighley County Court found a firm of accountants in contempt for issuing a circular which suggested that the court was an arena for the oppression of debtors (*Solicitors Journal*, 1.11.1873, p.9). The most notorious illustration of mounting judicial frustration with accountants was displayed in a case presided over by Mr Justice Quain in 1875.

On 18 August 1875 James Winge, cabinetmaker, was tried at Bristol Crown Court for offences under the Bankruptcy Act, 1869. Winge, whose net liabilities were £330, had filed a petition for liquidation by arrangement with his creditors and now stood indicted for concealing property and not placing monies in the hands of his trustee. This

minor trial assumes significance because it induced the presiding judge to utter comments which have been quoted *ad infinitum* by historians of the accountancy profession. Mr Justice Quain's outburst is of especial significance to the current study. Having heard evidence which suggested that the trustee was performing superfluous tasks to increase his fees Mr Justice Quain observed that "the affairs of bankrupts [had] now got into the hands of accountants, debt collectors, and others". Further, "that the whole affairs in bankruptcy should be taken out of the hands of solicitors - a respectable body, subject to the control of the court - and handed over to an ignorant set of men called accountants, was one of the grossest abuses, in his opinion, ever introduced into the law" (*Accountant*, 21.8.1875, p.11). Mr Justice Quain urged the mercantile community to demand legislative reform (*Accountant*, 21.8.1875, p.12). The jury, who found Winge guilty but suggested leniency, concurred with the judge's tirade against the system of bankruptcy.

Within a month of Mr Justice Quain's outburst there was another judicial assault on accountants. In September 1875 P M Leonard, judge at Winchester County Court, declared that he would never "appoint accountants as receivers". This was taken by *The Accountant* as being part of a wider attempt "to oust accountants altogether from a very large portion of their legitimate professional sphere" (11.9.1875, pp.2-3). During another case in Warrington the judge referred to "irresponsible people calling themselves accountants". Shortly thereafter the President of the Society of Accountants in England, John Bath, was admonished by a judge at Chelmsford County Court for claiming "monstrous" fees of £168 as receiver and trustee in the case of a bankrupt grocer whose estate realised only £250. The judge also commented that Bath "charged extravagantly for what he did, and he had charged for duties which it was no part of his business to perform at all" (*Law Times*, 30.10.1875, p.422). *The Law Times* expressed satisfaction that judges were "beginning to discover the evil

consequences of recognising the continued existence of a new class of persons styling themselves as bankruptcy accountants” and looked to the prospect of legislative reform (4.9.1875, p.326; 14.4.1877, p.428; *Solicitor's Journal*, 21.8.1875, p.806). In February 1878 a judge in Bradford County Court criticised the remuneration of accountants and solicitors in the administration of insolvent estates. He referred to the ‘lavish’ expenditure they incurred and the undistributed assets in the hands of trustees (*Accountant*, 16.2.1878, p.12; *Solicitor's Journal*, 7.6.1879, p.622). Perhaps most damning, because they emanated from a senior member of the judiciary, was the following utterance, on 1 March 1880, by the Chief Judge in Bankruptcy:

... the cases were numerous in which persons calling themselves accountants, or by some other satisfactory name, got themselves made trustees of bankrupt estates. They collected all the money they could, and, instead of administering it or paying it into the bank, they brought forward ridiculous, non-sensical, and extravagant charges for remuneration, in order that they might pocket the whole of the money without any regard to the interests of the creditors. Such instances ... were frequent, and the existence of them was one of the reproaches to the administration of the bankrupt law (*Accountant*, 6.3.1880, p.7).

In addition to these publicised derogatory comments from the judiciary, *The Accountant* referred to the many unreported cases where county court judges questioned the remuneration and costs of trustees in cases before them. The sharp reproaches frequently meted out to accountants as trustees were unjust and “injurious to the profession” (13.4.1878, p.5).

Accountants and the Comptroller in Bankruptcy

While assaults on accountants by judges were spasmodic, the Comptroller in Bankruptcy, Mansfield Parkyns, was a more persistent critic. Parkyns' annual reports to Parliament on the working of the Bankruptcy Act, 1869 and his evidence to parliamentary committees were perceived by contemporaries as highly influential in charting the likely direction of bankruptcy reform. *The Accountant* declared that his reports had "been accepted as a sort of bankruptcy creed which no heretic has dared openly to question", especially in Parliament (16.8.1879, p.4). Through the 1870s the Comptroller was increasingly convinced that creditor control had failed and questioned its merit as a founding principle of bankruptcy legislation: "No one would dispute or doubt the right of the creditors to direct and superintend the management of the property of insolvents, but this right of the creditors appears to have been turned into a party cry by a class of professional agents who are well aware that, as a rule, whatever powers are given to the creditors will be delegated to them" (General Report, 1878, p.12). He urged a return to bankruptcy administration by a small number of public officials in place of elected trustees (Markham Lester, 1995, pp.176-177). In support of his cause Parkyns detailed the defects of the mass of creditor-elected, paid trusteeships and impugned the accountants and others who held that office.

There was, however, one incident which contrasted with the Comptroller's critical stance towards accountants, at least so far as the Institute in London was concerned. In June 1874 Henry W Banks, a member of the Institute, reported a long interview he had with Parkyns, on "the question of the 'status' of the Public Accountant with a view of obtaining a Charter". Banks reported that "after much discussion he agreed with me that much good might result from an interview between himself, the President of the Institute of Accountants (Mr Quilter) and Mr [Henry] Nicol of the Treasury" (MS28405/1, p.155). The Council

of the Institute agreed that such a meeting should take place at the London Bankruptcy Court, "the object being to obtain some special advantage for members of the Institute such as the exclusive right to act as Trustees of Bankrupt Estates" (MS28408/2, pp.11-12). However, rather than the President pursuing this opportunity directly, Banks was informed that William Quilter would attend a meeting if Banks cared to arrange it (MS28408/2, p.13). There is no indication in the papers of the Institute of Accountants that a meeting took place.

Thereafter Parkyns' hostility to accountants became overt. This antagonism had a particular source. Parkyns considered that accountants were actively frustrating his attempts to secure wholesale bankruptcy reform. In private correspondence to the Lord Chancellor's Office in February 1876 he urged the necessity of a radical overhaul of the bankruptcy system which, in its current manifestation, was "demoralizing the whole country". Mere amending legislation which retained the principle of creditor control would not suffice. Parkyns argued that the clamour for change had become widespread. Only a few sections of the organised commercial class were resistant. He explained his 'theory' that commercial associations had been persuaded to continue their support for creditor control by self interested accountants:

... Two or three accountants on the Committee of the Chambers of Commerce urge the rest, I still believe, in the system which they themselves recommend but I do not think it [the bankruptcy system] has any other defenders.

I believe that the leading members of the Chambers of Commerce and other influential commercial men are quite open to conviction if both sides of the question could be explained to them.

... In the enclosed I show up the mistakes with which the Chambers of Commerce were led (I believe by a rascally Birmingham accountant)

most plainly – perhaps almost spitefully! (emphasis in original, LCO 1/16, 25.2.1876).

In his more public utterances Parkyns attacked various dimensions of accountant-trusteeships. These concerned the cost of insolvency administration, touting, neglect of duty and the retention of assets.

At the time of the passing of the Bankruptcy Act, 1869 it was envisaged that the appointment of a single, competent and paid accountant would reduce the cost of bankruptcy and therefore provide a larger distribution to the creditors. Parkyns observed that in practice, however, the costs of administration actually increased under the 1869 Act. Trustees' remuneration constituted more than 6% of bankrupt estates in 1871 and 1872 and legal expenses were 17% (General Report, 1873, p.2). Parkyns argued that if professional accountants were employed as trustees it could be expected that they would charge at professional rates. What was not expected, given their supposed expertise in the field, was that accountants would require the assistance of solicitors and other agents, such as auctioneers, and thus burden the estate with legal and other costs (General Report, 1876, p.3; also *Law Times*, 12.11.1870, p.19; 6.3.1875, p.326). Parkyns also considered that increased costs emanated from canvassing for proxies which effectively permitted the trustee to vote his own inflated remuneration. This was particularly so in liquidations. According to Parkyns the fact that trustees were paid out of the estate encouraged such evils as did the appointment of trustees in cases where the assets would be better managed by an unpaid creditor.

Parkyns' assault on the costs of creditor-elected trustees was most clearly explicated in a "Supplemental Report on the Expenses of Bankruptcy Administration" which was submitted in 1875 as evidence to the Lord Chancellor's Committee on the working of the 1869 Act. For the Comptroller, the increased costs of the insolvency regime invalidated the fundamental principles on which the 1869 Act had been based: that elected trusteeships would be more economical than

official administration. Parkyns argued that “the present distribution of administration among thousands of paid trustees is beyond possibility of doubt the chief cause of the great increase of expense under the present system” (p.10). He referred to “the exorbitant charges of some trustees” for mechanical work which could be easily performed by clerks and suggested that the remuneration of trustees be regulated (pp.11, 19). His report was laced with antagonistic language. He referred to trustees as collectively “irresponsible” – only a few of whom were “able and trustworthy”. Accountants were specifically implicated in touting: “I believe that accountants, quite as frequently as solicitors, canvass on their own account, and that from the increased numbers of the lowest class of “touts” there is an infinitely greater amount of “touting” than under any former system; but I have no doubt that many accountant trustees are merely agents to solicitors who hold the proxies of the creditors” (Supplemental Report, 1877, p.10). Parkyns’ remedy for this lamentable state was to wrest insolvency administration from 20,000 “scattered” trustees and place it in the hands of “130 responsible officers” who could perform the work “at infinitely less cost than ... could be undertaken by professional men” (Supplemental Report, 1877, p.16).

In 1877 and 1878 Parkyns’ hostility to accountants appeared to intensify. His submissions to the Lord Chancellor’s Committee in 1875 on the working and costs of creditor control were published with his annual report in 1877. In 1878 Parkyns reiterated that the engagement of solicitors in most insolvencies by supposedly experienced professional trustees was “the greatest abuse of the system” (General Report, 1878, p.13; 1878-9, pp.6-7). He appeared to derogate the necessity for accountant-trustees given the continuing role of lawyers in insolvency administration and questioned their capacity for the task. Having reviewed the arrangements for unpaid creditor assignees under the Bankruptcy Act, 1861 Parkyns argued that there were currently few bankruptcies where “the paid trustee-manager is

not a needless additional expense” (General Report, 1878, p.11). The 1869 Act had effectively encouraged the “unnecessary appointment of paid trustee managers in cases where there is nothing to manage” (p.14). Parkyns offered this stinging rebuke:

It is needless to observe that abuses will occur in any system, but are very likely to occur in a system under which (in liquidations alone) about four millions per annum is received by a number of persons, mostly professional trustees, a small minority of whom are respectable and personally responsible accountants, while the great majority are mere adventurers, whose chief recommendation is remarkable skill and boldness in canvassing for proxies (General Report, 1877, p.7).

Parkyns also noted that trustees were being summoned before the courts for neglect of duty, mostly as a result of a failure to submit accounts. In 1873 there were 500 such cases (General Report, 1874, p.2). In 1876 there were 444 instances and Parkyns noted “Of the trustees reported 282 were professional trustees, mostly described as accountants, the remaining 162 being for the most part creditors in the matters in which they were acting” (General Report, 1877, pp.1-2). In 1879, following a request from Samuel Morley, MP, Chairman of the Mercantile Law Amendment Society, Parkyns prepared a return on the number of bankruptcy trustees reported to the courts by him for misconduct since the Bankruptcy Act, 1869 came into force. The cases were analysed according to the occupation of the trustee. The return did not make pleasant reading for accountants and caused considerable discussion in the press. The data is summarised in Table 4.1. In response the Institute of Accountants wrote to Samuel Morley in December 1879 asking him to seek more information from the Comptroller as the report gave a false impression. It was also decided to inform the daily newspapers that the Comptroller’s return was misleading in that it failed to indicate that in most cases of supposed ‘misconduct’, the trustee was eventually compliant and not found to be defaulting or

misappropriating the assets of the estate (MS28405/2, p.59; MS28408/3, pp.391-394, 398-402).

Table 4.1 Occupations of Trustees Reported for Misconduct, 1870-1879

Occupation	N of Trustees Reported		
	1870-1874	1875-1879	Total
Accountant	301 (29%)	601 (39%)	902 (35%)
Solicitor	51 (5%)	72 (5%)	123 (5%)
Gentleman	47 (4%)	77 (5%)	124 (5%)
Other (226 different titles)	650 (62%)	775 (51%)	1,425 (55%)
Total	1,049 (100%)	1,525 (100%)	2,574 (100%)

Source: Calculated from the Return by the Comptroller in Bankruptcy (1878-9).

Parkyns also complained about the retention of bankrupt's assets by trustees to the disadvantage of the creditors. He speculated that the assets of insolvent estates "may be employed for their own benefit by trustees who calculate on a continuance of business enabling them to pay dividends on older estates from assets to be realised in newer estates" (General Report, 1876, p.3).

The veiled and sometimes explicit criticism of accountants contained in the reports of the Comptroller in Bankruptcy, the senior official in the system of insolvency administration, was a source of mounting frustration for professional accountants and encouraged demands for organisational change to protect their interests. *The Accountant*, was increasingly scathing in its condemnation of the Comptroller. When Parkyns' report for 1875 was published in mid-

1876 *The Accountant* complained about his ill-chosen and ambiguous language and barely contained itself from outright accusations of bias, misrepresentation and a fraud on accountants (17.6.1876, p.4). When the Comptroller's Supplemental Report on costs appeared soon thereafter *The Accountant* was more forthright, complaining about the sweeping charges made against professional trustees (24.6.1876, pp.3-4). The report was labelled an "injudicious display of a most pernicious bias towards officialism" (*Accountant*, 28.10.1876, p. 4; 29.7.1876, pp.3-4; 12.8.1876, pp.3-4; 19.8.1876, pp.4-5). Parkyn's hostility to accountant trustees motivated some members of the Institute of Accountants to call for more concerted responses by the organisation to defend their interests (*Accountant*, 28.10.1876, p.6). Others cited Parkyn's belligerent reports as evidence of the need for the incorporation of a united professional organisation in order to defend accountants (*Accountant*, 24.6.1876, pp.6-11).

When the Comptroller's report appeared in 1878 *The Accountant* reiterated its view that Parkyn's allegations against accountants emanated from "a notoriously prejudiced official" (24.8.1878, p.6) whose object was to convince the commercial classes of the merits of a return to officialism (28.9.1878, pp.4-5; 5.10.1878, pp.4-5). *The Accountant* objected to the manner in which the Comptroller's reports were seized upon by the press as impartial and authoritative and the extent to which they appeared to inform government policy on bankruptcy reform (21.6.1879, pp.3-4; 9.8.1879, p.5; 16.8.1879, pp.3-4). This was much to the disadvantage of accountants as "The Comptroller has never been at any pains to conceal his dislike to the professional trustee; and the feeling arises obviously from the fact, that the efficacy of the latter stands as a great bar to the restoration of that officialism for which Mr Parkyns has such an affection" (*Accountant*, 9.8.1879, p.4).

The Accountant complained likewise about the way in which the press accepted without question the Comptroller's statistics on the occupations of defaulting trustees. When these were published in

autumn 1879 they were seized on by the newspapers to indiscriminately lambaste accountant trustees as vultures growing fat on the misfortune of others (*Accountant*, 25.10.1879, pp.4-6). The Secretaries of the Institute of Accountants and the Society of Accountants both objected to the manner in which Parkyn's return presented statistics and employed language which were grossly unfair (*Accountant*, 6.12.1879, pp.4-5). The injustice done to respectable accountants was illustrated by Frederick Whinney who showed that the total loss which the Comptroller could attribute to all trustees reported for misconduct was a mere £11,000 (*Accountant*, 13.3.1880, p.5). At a meeting of the Institute of Bankers to discuss bankruptcy reform in March 1880, a member of the Council of the Institute of Accountants, Joseph J Saffery, was to passionately express his disdain at the opprobrium heaped on the profession by the Comptroller in Bankruptcy:

*Sir, I have been a public Accountant all my life, and I consider my calling an honourable one. I consider ... that a public accountant is not a necessary evil, but an essential public boon. But sir, I am an Englishman first, and an accountant after, and as such I recognize and uphold the principle of believing every man honest until I find him a rogue. The course that has been pursued in this matter is un-English; and I do most emphatically record my protest against the insinuations which have been scattered wholesale and broadcast against professional trustees as a body, without one tittle of evidence upon which to found a specific charge. Language has been used, and imputations have been cast against a body which, if applied to any individual, would instantly have been challenged in a court of justice. Suspicion has been engendered where confidence should have been sought and given (*Accountant*, 13.3.1880, p.7).*

Accountants and the Select Committee on the Companies Acts

It was not only discussion of bankruptcy reform which incited adverse comments about accountants in government circles and raised the prospect of threats to their interests through changes in the law. In May 1877 a Select Committee of the House of Commons was appointed to report on the working of the Companies Acts of 1862 and 1867 and on an amending bill currently before Parliament. The process of corporate liquidation and the appointment and remuneration of liquidators (in official and voluntary cases) featured large in evidence presented to the Committee in June 1877. The Select Committee heard that the majority of liquidators were professional accountants, there was considerable competition for appointments and certain abuses had arisen. Divergent views were expressed about the adequacy and working of the scale of remuneration for official liquidators set by the Court of Chancery. Two themes emerged from the evidence to the committee which were offensive to accountants. First, there was discussion of replacing the existing system of court-appointed liquidators by a permanent staff of salaried liquidators in the Court of Chancery. It was deemed that this would curtail abuses and reduce the expense of winding-up. This palliative mirrored the advocacy of a return to 'officialism' in bankruptcy administration. Two of the three eminent London accountants (William Turquand, Samuel L Price and Robert P Harding) who gave evidence to the Committee argued strongly against this notion. Despite the protestations of accountants the Select Committee reported that "the present system of liquidation is unsatisfactory and requires amendment" (Report, 1877, p.iii).

Secondly, and of more immediate concern, were allegations made by one of the witnesses about undistributed assets in the hands of corporate liquidators and trustees in bankruptcy. This charge, which inevitably fell on accountants as the principal holders of these offices,

required an immediate response, not only because of its potential impact on the recommendations of the Select Committee but because of the adverse publicity which attended it. On 14 June 1877 William Newmarch, banker and associate of David Chadwick (Cottrell, 1984), appeared as a witness before the Select Committee. Newmarch stated that the winding-up of joint stock companies was attended by "enormous scandal" and that reform was necessary. Abuses had arisen because of the limited supervision of liquidators:

A man is appointed liquidator, and gets possession of the books and papers and everything, and then he disappears as it were into space. Then, after years, perhaps, you receive an account which shows that the assets have come to so much, and that they have been entirely swallowed up by the expenses on the other side, few or no details of which are given. Further than that, so entire is the absence of all control, that it is very generally asserted, and has been so stated by the Lord Chancellor in the House of Lords, that at this moment the sums of undistributed assets in the hands of trustees, liquidators, and others, great and small, up and down the country, amount to millions sterling; those funds are entirely under the control of these persons; they are entirely out of sight and beyond control, and there is no ready means of bringing them to account. If the ingenuity of the Legislature had been directed to devising a system which could produce unsatisfactory results, I do not know that they could have succeeded better (Report, 1877, p.15).

On 18 June Newmarch reiterated to the Select Committee "that there are very large sums of money up and down the country at the personal disposal of liquidators of companies is a thing thoroughly notorious in the City of London" (Report, 1877, p.39). These allegations generated considerable adverse publicity about accountants as liquidators.

Accountants and trade and commercial associations

During the 1860s the principle of creditor-elected trustees, enshrined in the Bankruptcy Act, 1869, which worked to the pecuniary advantage of benefit to accountants, had commanded widespread support from the influential mercantile and commercial classes. As the defects of the statute became increasingly apparent in the 1870s, accountants could no longer rely on the unquestioning support of these ideological allies. Certainly, accountants could identify supporters among trade and commercial men. The Associated Chambers of Commerce continued to adhere to the principles of the 1869 Act and the trusteeship system, and sought the amendment of the statute as opposed to a return to officialism (*Accountant*, 31.8.1878, p.13; 7.9.1878, pp.4-5; 4.1.1879, pp.2-3). The Nottinghamshire and Midland Merchants' and Traders' Association complained at the strong bias of the Comptroller in Bankruptcy against creditor control and his "repeated attacks upon trustees" (*Accountant*, 21.12.1878, pp.3-6). Other organisations, however, became decidedly hostile to accountants.

In April 1875 the warehousemen of London met to discuss the costs of insolvency administration. A circular was issued complaining about the level of remuneration of accountant trustees. Their chairman, Samuel Morley, was a prominent hosier and an influential Liberal MP, who is credited with being a foremost critic of the 1869 Act (Stephen and Lee, 1917, Vol. XIII, pp.978-981). This complaint motivated an unsuccessful venture by the Society of Accountants in England to fix a scale of charges for accountants' work (*Accountant*, 4.9.1875, pp.2-4).

In 1876 the Trade Creditor Association also complained that accountants' charges were too high and argued for a fee scale (*Accountant*, 26.2.1876, p.2). In early 1876 the Mercantile Law Amendment Society submitted a memorandum to the Lord Chancellor on the Bankruptcy Act, 1869, supported by 69 leading banking firms and mercantile houses, which objected to the costs of insolvency administration,

unclaimed dividends in trustees' hands and "the impenetrable mysteries of the accountants affairs" (*Accountant*, 29.1.1876, p.13; 12.2.1876, p.3). By way of illustration it was shown that in twelve selected cases trustees' remuneration comprised 26% of the assets realised (LCO 1/16). The Reports of the Comptroller in Bankruptcy provided the Secretary of the Mercantile Law Amendment Society with ammunition to further object to the remuneration of professional trustees and the retention by accountants of unclaimed balances (*Accountant*, 20.5.1876, pp.4-5). In early 1878 the Society, chaired by Samuel Morley, MP was particularly antagonistic to the pecuniary interests of accountants in its objections to the system of liquidation by arrangement (*Accountant*, 2.2.1878, p.4; 16.2.1878, p.5; LCO 1/16). Morley was to state that in his opinion "the Bankruptcy Court was for the benefit of accountants and lawyers" as opposed to the creditors (*Accountant*, 9.3.1878, p.12).

In 1878 *The Accountant* also noted the formation of The Creditors' Association of Wholesale Dealers whose object was to protect its members "from the enormous waste and costs both of solicitors and accountants" (2.11.1878, p.5). Such creditors' associations were not pressure groups but sought to obviate the need for professional trustees by appointing their own salaried managers as trustees on behalf of their members. The remuneration of the manager would be added to the funds of the association as opposed to being pocketed by an accountant trustee (*Accountant*, 9.11.1878, p.6).

Accountants and the press

The reports of the Comptroller in Bankruptcy, comments by judges, the proceedings of parliamentary select committees, the meetings of trade and commercial organisations, and letters to editors from disgruntled creditors, all provided the local and national press with opportunities to compound and inflame the criticism of accountants during the 1870s.

The defamatory comments made by Mr Justice Quain in August 1875 provoked the *Daily Telegraph* to write a leading article on accountants. This supported the judge's comments and called for the local judiciary to keep "a strict and keen eye upon the various accountants in their district" and thereby prevent the extortion practised by many "self-constituted accountants" (*Accountant*, 21.8.1875, pp.11-12). The article, and subsequent pieces in provincial newspapers, were considered by professional accountants as unfair portrayals of their vocation (*Accountant*, 11.9.1875, pp.3-4). Similar adverse publicity subsequently appeared. In 1876 an article in the *Daily News* claimed that "the professional classes who administer the [Bankruptcy] Act have an interest adverse to that of the creditors" (*Accountant*, 25.3.1876, p.4). *The London Figaro* claimed that "some accountants, who act as professional trustees, are the wreckers of insolvent estates", adding that "unless the law is changed, accountants will be by far the wealthiest men in the kingdom" (*Accountant*, 8.4.1876, p.3).

In June 1876 the appearance of a new Bankruptcy Bill encouraged comment from several newspapers. The *Daily Telegraph* took up the question of unclaimed dividends and considered that public consternation of the practice "puts a stop to the absurd claims which accountants have recently preferred to be considered as a distinct branch of the legal profession" (*Accountant*, 10.6.1876, p.3). The *Daily News* considered that the expectation that the 1869 Act would encourage the creation of a profession of diligent and competent trustees had "proved a dream" (*Accountant*, 10.6.1876, p.13; 17.6.1876). The *Saturday Review* considered the bankruptcy system a "gigantic system of swindling" in which accountants and solicitors "share the plunder" (*Accountant*, 24.6.1876, p.2).

On 30 June 1877 a letter from 'A Long Suffering Creditor' was printed in *The Times* (p.12). This objected to delays in realising assets and paying dividends and the level of accountants' fees in the large bankruptcy of R Benson & Co, London. The correspondence sparked

a retort from 'an accountant' who observed that the complaining letter "will be read by thousands, and the rascality of accountants duly commented on" (2.7.1877, p.6). The trustee in the case also entered the fray (3.7.1877, p.6) as did a Manchester merchant who added his complaints about professional trustees (4.7.1877, p.13). *The Times* noted that the episode was illustrative of the many letters it received about the imperfect working of the Bankruptcy Act, 1869, and that "the whole subject, is as ripe for fresh treatment and reform as ever" (4.7.1877, p.13).

During 1878 the vitriol directed towards accountants in the press reached new depths. *The Accountant* observed that by "a curious metamorphosis" public indignation in bankruptcy, which was traditionally heaped on the insolvent himself, was increasingly diverted to the accountant who administered his affairs (14.9.1878, pp.3-4). In January 1878 a particularly vicious article appeared in *Examiner* which complained that accountants were amassing huge fortunes as official liquidators, that the Council of the Institute of Accountants was "unpleasant" and that accountants were "rogues", "the vultures of modern commerce" (*Accountant*, 12.1.1878, p.3). On 2 February 1878 *The Accountant* related how a recent article stated:

Of late years there has been no more popular grievance than the alleged malversations on the part of professional administrators of insolvent estates. Again and again have letters appeared in the public press, complaining of wrecked estates, of wasted assets, and of extortionate charges. Professional liquidators have been compared to vultures, wolves, vampires and many other things supposed to be representative of insatiable greed and rapacity. Elaborate calculations have been made with the object of showing that the accountant class, which generally has most to do with insolvencies, has systematically abused the trust reposed in it by retaining in its hands money belonging to the creditors to the amount of millions per annum (p.3).

By May 1878 *The Accountant* expressed dismay at the mounting and fashionable “journalistic outcry against accountants and professional trustees” (p.4). The extent to which scurrilous, inaccurate and fallacious articles were written by “imaginative scribes” to “tickle the popular taste” confirmed the need to devise means of conferring “a definite and acknowledged *status*” on professional accountants (*Accountant*, 18.5.1878, p.6). In 1878–1879 adverse criticism was increasingly directed against professional practitioners whose apparent omnipotence and advancing wealth was perceived as having been accumulated at the expense of others, especially creditors. For *The Accountant* the nadir in press assaults on accountants came in May 1878 when the leading practitioner of the day was maligned in the City pages of the most authoritative newspaper. William Turquand, President of the Institute of Accountants, considered taking legal action against *The Times* following statements about his estimate of expenses as receiver in the case of Willis, Percival & Co. (*Accountant*, 1.6.1878, p.4). *The Accountant* subsequently printed a series of ten articles on ‘The Administration of Insolvent Estates’ in an attempt to correct misapprehensions and counter the unfair accusations levelled in the press (22.6.1878, pp.4–5).

Increasing criticism in the City pages of *The Times* through 1878 caused professional accountants great concern. In September a series of complaining letters and negative editorials were published on “suffering creditors”. These emphasised the losses incurred under the bankruptcy system and the impositions of trustees. Correspondence by ‘Deluge’ on 20 September 1878, not only described trustees as “irresponsible” and their fees as “outrageous” but also accused them of using estate funds to undertake money-lending at exorbitant rates of interest. The disreputable practices of a trustee described by ‘Deluge’ encouraged the Secretary of the Institute of Accountants to write to *The Times* to ascertain whether the offending trustee was a member of the Institute, in which case his misdemeanours would be dealt with under its rules (*Accountant*, 28.9.1878, pp.4, 7–9; 5.10.1878, p.4; 2.11.1878, pp.2–3).

To the Institute's embarrassment two of its members (W H Pannell and G Chandler) declared that they were the trustees (MS28405/1, pp.400-409). However, following investigation the Council of the Institute found the charges printed in *The Times* to be unsustainable (MS28404, pp.113, 118; MS28408/3, pp.169-172). The fact that the City Editor refused to print a letter from the Institute to answer the allegations made against the trustees was taken as evidence "of the unfair and biased treatment which accountants frequently receive at the hands of writers and directors of the press" (*Accountant*, 26.4.1879, pp.3, 10).

In November 1878 another leading firm, Harding, Whinney & Co. was unfairly criticised in *The Times* for excluding reporters from a creditors' meeting. This stimulated accusations that accountants conspired with debtors to "hush-up" bankruptcy proceedings (*Accountant*, 30.11.1878, pp.4-5; 7.12.1878, pp.4-5). The instance resulted in a request by Frederick Whinney that the Secretary of the Institute of Accountants search *The Times* for a year and "cut out all remarks relating to accountants &c" (MS28405/1, p.411). The extent to which adverse publicity was now being directed towards successful professional accountants may also be gauged from the following comments of the *London Standard*:

Nothing, indeed, is more remarkable than the growth within the last ten or fifteen years of accountants as a body. They have multiplied and become wealthy. They are, for the most part, men of honourable standing, who are perhaps fairly entitled to speak of their business as a "profession". They claim to rank with solicitors. They keep large offices, employ great retinues of clerks, and many of them lay themselves out exclusively for the business of administering bankrupt estates ... An active accountant secures proxies, gets himself appointed trustee, fixes his own rate of remuneration, employs his own staff and ... is under no temptation to bring so lucrative a business to an end (*Accountant*, 11.10.1879, pp.8-9).

The Accountant summarised the influence of the press in forming public opinion on accountants thus:

The public at large have often been enlightened by writers who draw on their imagination for facts, as to the delights and prodigious emoluments of professional trusteeism. Pictures have been drawn of accountants revelling in “untold millions” of creditors’ money, and according to these popular instructors ... an accountant trustee is a wonderful individual, who controls quarrelling creditors by an uplifted finger or a stroke of his pen, takes the lion’s share of assets, divides the remainder between the solicitor to the estate and the debtor, and if any creditor should be so far lost to all sense of decency as to presume to ask where the money has gone, sends him off with a flea in his ear, with the advice to go and tell the City Editor of the Times all about it (25.1.1879, p.3).

Summary

During the 1870s the Bankruptcy Act, 1869 was subject to mounting criticism. Much of this criticism centred on the system of creditor-elected trusteeships. Trusteeships were dominated by accountants. Accountants, including leading practitioners, found themselves under siege. Accountant-trustees and liquidators were collectively accused of touting, excessive fee charging, maximising their own remuneration at the expense of the creditors, retaining the assets of insolvent estates for their own use, failing to distribute dividends, and neglect of duty. These criticisms were all the more serious because of the influential sources in the body politic from which they emanated: certain judges, the Comptroller in Bankruptcy, the Select Committee on the Companies Acts, trade and commercial organisations, and the press. The partly and locally organised associations of professional accountants in England and Wales were not well equipped to counter the indiscriminate onslaught on their vocation. Neither were they

likely to stem the substantial pressure for the reform of bankruptcy law. The clamour for legislative change tended to veer away from creditor control towards varying degrees of officialism. Reform in this direction was antagonistic to the interests of accountants.

CHAPTER FIVE

INTER PROFESSIONAL AND INTRA OCCUPATIONAL CONFLICT: LAWYERS, BONA FIDE AND *SOI-DISANT* ACCOUNTANTS

Its conduct of insolvency work during the 1870s resulted in the accountancy profession coming under siege. The judiciary, the Comptroller in Bankruptcy, parliamentarians, the press and elements of the commercial lobby all severely criticised trustees and accountants in England and Wales. Another source of hostility assumed an inter-professional dimension. Insolvency work brought accountants into conflict with lawyers who claimed this domain as their own. The widespread denigration of accountants had another worrying dimension, one which was particularly disturbing to those accountants who claimed professional status. The nature and content of the onslaught revealed that in the public mind there was little difference between the professional accountant and the unqualified individual who claimed membership of the same occupation. Thus the problems confronting professional accountants when the Bankruptcy Act, 1869 was passed had not been solved by the organisations formed in 1870 and 1871.

A society of accountants had been established in Liverpool to address the inter-professional boundaries between accountants and lawyers and the need to identify the professional practitioner. Organisations had also been established in London and Manchester to differentiate the professional from the non-professional accountant.

As the decade progressed it became increasingly apparent that these structures had not solved the inter-professional and intra-occupational conflicts which they had been designed to remedy.

Inter-professional conflict: accountants and lawyers

During the 1870s the legal profession, publicly at least, assumed a hostile stance towards accountants. Members of the junior profession were perceived as invading the jurisdiction of solicitors in insolvency administration. The law journals added to the vitriol directed at accountants in the wider media. This hostility was significant because solicitors were a potent lobby whose views on bankruptcy reform, to which the fortunes of many accountants were tied, appear to have become more influential through the 1870s. Until the end of the decade most lawyers supported legislative changes which were antagonistic to accountants (Law Society, Council Minutes; *Accountant*, 2.11.1878, pp.3-4; 21.6.1879, pp.4-5; 8.11.1879, p.5). *The Law Times* commented in 1878 that “no bankruptcy system can ever prove worthy of the nineteenth century which does not send to the right about that class of persons who style themselves trustees, inspectors, public accountants, and a certain class of pettifoggers, all of whom live on the insolvency of traders and others” (quoted in *Accountant*, 13.4.1878, p.13; 4.5.1878, pp.3-4). The fractured organisations of accountants were not well placed to counter the onslaught by lawyers. *The Accountant* doubted whether accountants could compete with the “vast and powerful” organisations that represented solicitors (October 1874, p.7).

Accountants, lawyers and the Bankruptcy Act, 1869

In everyday practice the relationship between accountants and solicitors in Victorian Britain was often characterised by mutual

dependency (Walker, 1993). It was illustrated in chapter four that the Comptroller in Bankruptcy considered that solicitors and accounting firms co-operated in the acquisition and servicing of insolvency clientele. Such commonality was not always reflected in the pages of law journals, where the accountant was usually portrayed as ‘a folk devil’ (Sugarman, 1995, pp.229–230). The working of the Bankruptcy Act, 1869 created many points of conflict between the two professions and encouraged the condemnation of accountants by solicitors.

During the 1850s, and especially the 1860s, lawyers expressed concerns about invading accountants (Walker, 2004). As mentioned in chapter two, the shift towards creditor control in bankruptcy legislation during the 1860s was perceived by many solicitors as detrimental to their profession. The Bankruptcy Act, 1869 was seen as a government-supported attempt to boost an occupational rival at the expense of the legal profession (*Law Times*, 6.3.1869; 17.4.1869; 24.7.1869). It was also shown in chapter two that as the Bankruptcy Act, 1869 came into force, organisations representing lawyers discussed whether or not to compete with accountants for trusteeships. In Liverpool a formal division of labour was established between local solicitors and professional accountants. Elsewhere the field was left open and the resultant contest encouraged an acrimonious discourse in the professional press.

The absence of a single institution to defend accountants’ interests contributed to ongoing criticism from lawyers in the professional media. This negative discourse and the often indiscriminate deprecation of all ‘accountants’ demonstrated that although local and national organisations of accountants had been formed in 1870–1872 this had not abated the perception in the law that the ‘new’ profession was intrusive and uncontrolled. In 1870 and 1871 articles could be found in *The Law Times* with headings such as: ‘The Perils of Accountants’ (1.10.1870, p. 385), ‘The Profession and Charlatans’ (17.9.1870, p.367), ‘Intruders in the Law’ (26.11.1870, p.66) and ‘Our Invaders’ (23.9.1871,

p.375). Lawyers complained about the usurpation by accountants of the work of solicitors and the level and manner of accountants' remuneration.

Solicitors were also anxious about the capability of the organisations which represented them to counter the threat of accountants. Lawyers' organisations were urged to energise themselves and take advantage of their influence in Parliament to secure the statutory protection of solicitors' territory (*Law Times*, 12.11.1870, p.19; 7.1.1871, p.185; 23.9.1871, p.375; 1.11.1873, p.8). It was argued that the metropolitan, provincial and local law societies should follow the example of the chambers of commerce and combine vigorous local activity with a national medium for advancing their cause (*Law Times*, 7.10.1871, p.401). One organisational response to demands for collective action by solicitors was the formation of the Legal Practitioners Society in 1873. Among its objectives was the protection of the profession "against the deprivations of unqualified men" such as accountants (*Law Times*, 15.11.1873, p.43; 22.11.1873, p.62).

In March 1874 the Legal Practitioners Society promoted a measure in the House of Commons. The Legal Practitioners Bill, which entered the statute book in a much revised form in 1875, sought to prevent unqualified persons from drafting legal documents. The original bill contained a provision that accountants and others would suffer penalties if they infringed the Stamp Act, 1870. Accountants took comfort from the fact that this provision was removed following complaints by the Solicitor-General (Sir John Holker) that it contradicted free trade and there were occasions, such as in bankruptcy cases, where an accountant was the more appropriate party to draw up instruments (*Hansard*, 8.7.1874, pp.1279-1281; *Law Times* 14.3.1874, pp.352-353; 27.6.1874, p.165; 4.7.1874, p.178; 21.11.1874, p.52; 25.12.1875, p.150). Further Legal Practitioners Acts were passed in 1876 and 1877 as the Legal Practitioners Society attempted to eliminate the nuisance of "unqualified and unauthorised practitioners" (*Law Times*,

5.2.1876, p.251). The activities of the Legal Practitioners Society and the legislation it promoted illustrated to accountants the apparent inclination of government to protect those who claimed 'qualified' status and the potential political impact of a virulent national organisation formed to advance professional interests.

In November 1876 solicitors were buoyed by the decision in the case *Attorney-General v Tett* where an accountant was penalised for drawing up a bill of sale, a task conventionally performed by a solicitor. The accountant's action was deemed in breach of the Stamp Act, 1870. The utterances of the Attorney-General in the case suggested that the apparent sympathy of the government towards accountants during the passing of the Bankruptcy Act, 1869 and the debate on the Legal Practitioners Bill, 1874 had now shifted in favour of lawyers (*Law Times*, 23.12.1876, p.140; 30.12.1876, p.149). In his opening statement Sir John Holker was reported as saying that solicitors should be protected from the competition of unqualified men and that legal business should be conducted by qualified persons (*Law Times*, 30.12.1876, p.149). By the end of 1876 there were indications that the government was aligning itself with the lawyers' view of the need to protect solicitors and reform the law of bankruptcy. From the accountants' perspective, these noises, in tandem with the appearance of a bill by the Lord Chancellor to reform the law of bankruptcy, and the critical opinions of the Comptroller in Bankruptcy, were ominous.

Lawyers, so-called accountants and organisational change

While it was primarily the activities of those outside the professional organisations which gave solicitors cause to rail against the behaviour of accountants in insolvency administration, lawyers also poured scorn on those described as 'public accountants'. The law journals sometimes conceded that a number of 'genuine' respectable

accountants did exist and provided a useful service (*Law Times*, 8.1.1876, p.186; *Solicitors Journal*, 19.12.1874, p.126). Yet, 'public accountant' was also taken to mean "the appearance in the commercial world of a large body of men who for the most part live by preying on the estates of insolvent persons" (*Law Times*, 28.8.1875, p.309). During the early 1870s the legal press often seemed oblivious to the existence of the Institute of Accountants in London, an organisation formed to distinguish the professional from the non-professional accountant (MS28405/1, pp.82, 114).

The Accountant complained bitterly at the "needless suspicion" and abusive rhetoric against accountants printed in the law journals and explained this as a jealous response to the loss by solicitors of insolvency business and their attempts to retain monopolies (24.4.1875, pp.3-4; 8.5.1875, p.5; 15.5.1875, pp.5-6; 5.6.1875, p.5; 21.8.1875, pp.2-4; 22.7.1876, pp.4-5; 30.9.1876, p.3; 2.6.1877, p.2; 18.5.1878, p.4). It did its utmost to disabuse lawyers of their unfair and indiscriminate assumptions, claiming that the accountancy profession "contains men whose names are as well known and whose capabilities are as high as those of any of the great London solicitors" (6.3.1875, p.2). Most importantly, *The Accountant* recognised at an early stage that the persistent condemnation of all accountants in the law press confirmed the need for a thoroughly organised and chartered accountancy profession "composed only of capable men, and enabled at once to put down pretenders" (6.3.1875, p.2).

By 1878 there were some indications that the confrontational *Law Times* now recognised a distinction between 'genuine accountants' and pettifoggers. It conceded that in the large towns and cities accountants "are educated and responsible men". *The Law Times* argued that institutional change should be contemplated to counter the intrusions of charlatan accountants (*Accountant*, 16.2.1878, p.3; 23.2.1878, p.6; 10.10.1878, pp.3-4; 21.12.1878, p.3). The following year the same journal went further, supporting a legislative solution

to the unconstrained use of the occupational description 'accountant' (13.12.1879, pp.2-3). The lawyers were not alone in recognising the deep seated problem of the 'so-called' accountant.

Intra-occupational conflict; professional and *soi-disant* accountants

The local organisations of accountants which were formed in Liverpool, London and Manchester in 1870-1871 and the national Society founded in 1872, did not effect a complete institutionalisation of professional accountants in England and Wales. While organisation achieved occupational differentiation between those inside and those outside professional bodies and secured a degree of market protection, it did not secure the formal closure of practice. Consequently, there was nothing to prevent anyone outside the accountancy organisations from offering their services as an accountant. The opportunities offered by the Bankruptcy Act, 1869 encouraged an increasing number of what *The Accountant* referred to as *soi-disant*, or 'so-called', accountants (Boys, 1994, p.10). The statute of 1869 had not confined trusteeships to those who could illustrate their competence and integrity. The identification of these qualities in potential trustees was left to the creditors. *The Accountant* explained the consequences thus: "The marked success which attended the rapid development of professional trusteeism in insolvency matters attracted a host of inferior intelligences, quacks, in a word, who nearly succeeded in bringing the calling they parodied and abused into universal contempt. It was, and remains in a mitigated form, a most unfortunate circumstance that the profession itself had no means of shutting out this undesirable influx" (29.6.1878, p.5).

'A refuge for the destitute'

In February 1879 the Lord Chancellor stated that once the Bankruptcy Act, 1869 had been passed "It was very soon discovered that it was a source of profit to become a trustee under bankruptcy proceedings, and there immediately arose a number of persons who laid themselves out to be appointed trustees and to reap the profits that were to be derived from the proceedings" (*Hansard*, 17.2.1879). Local trade directories testify to the increasing numbers of 'accountants' who emerged during the 1870s. Worthington (1895, p.79) stated that when the Bankruptcy Act was passed in 1869 there were 452 accountants in London. At the time of its replacement by the Bankruptcy Act, 1883 there were 840. By comparison, at the beginning of 1872, the year in which its doors were opened to public accountants outside the metropolis, the Institute of Accountants in London had only 134 members.

As this data indicates, the membership of the accountancy bodies represented a relatively small proportion of those who assumed the designation 'accountant'. *The Accountant* declared "that a very large percentage of persons described in directories as 'accountants' have really no claim whatever, either by reason of training or social position, to be regarded as members of the accountant's profession" (4.10.1879, pp.4-5). In autumn 1879 *The Accountant* reported that the *Accountants' Directory* listed about 1,800 accountants in the UK and "of these it is probable that not more than a third are engaged in the work of public accountants, or, in other words, have any claim to be considered members of the profession" (11.10.1879, p.4). While *The Accountant* conceded that there were some reputable accountants outside the professional organisations, it considered that the membership of these bodies illustrated the existence of only "six or seven hundred *real* accountants" (*emphasis added*, 11.10.1879, p.4). The 1881 census was taken eighteen months after this article was printed. The census

enumerated 11,606 individuals in England and Wales alone who described their occupation as accountant (Kirkham and Loft, 1993, p.557).

These statistics illustrate why commentators such as David Chadwick, the promoter and President of the Manchester Institute of Accountants, described the accountancy profession as “a palladium for all kinds of mercantile refugees” (*Law Times*, 31.12.1870, p.166). The *Liverpool Courier* went further, considering the occupation as a “refuge for the destitute”, inhabited by those who acted as “a maid-of-all-work to the business community”. The *Courier* supplied examples of how several uninstructed and failed individuals ventured into accountancy in Liverpool. These anecdotes, which are fully quoted here, were praised by contemporaries for their humour and accurate portrayal of the state of the occupation. This, in the city where the first professional organisation of accountants had been formed:

No. 1 was put apprentice to the trade of a cabinet maker, but did not complete his term. In course of time, he joined a brother-in-law in a corset making and slop tailoring business, which he carried on for some years. This business not proving a success, he commenced business as a coal-agent, which he managed so well, as to fail two or three years ago, in which failure, his bankers lost upwards of £12,000 - a just penalty for what everybody but the bank manager and directors knew to be an extraordinary instance of misplaced confidence. He is a man of extraordinary coolness, and of an impudence which nothing can abash or repel. He proclaims himself to be an accountant, a professional trustee, a financial agent &c.

No. 2 came to the town an adult, joined another man as a stay (ie corset) manufacturer, afterwards became a coal agent, and having failed in that, has commenced business as an accountant, a commission agent, and a debt collector. Personally, he is a poor helpless fellow.

No. 3 was a clerk in a County Court, and is now a rent and debt collector, but proclaims himself to be an accountant, notwithstanding he could not make out some simple trust accounts put into his hands for that purpose.

No. 4 left the office of a County Court High Bailiff, where he had been from his boyhood, to become a rent and debt collector; and he, too, in very large letters, announces to the world that he is an accountant.

No. 5, up to becoming a rent and debt collector, had passed all his previous years in a lawyer's office as an engrossing clerk; and he, too, is an "accountant." He shows a strong preference for the society of brewers and publicans.

No. 6, who advertises himself as a "Financial Agent, Accountant, Trustee in Bankruptcy, Rent and Debt Collector &c.," was, until some twelve months ago, also a clerk in a lawyer's office.

No. 7, on the strength of having been a miner's check-weighman, and being now one of the auditors of a working-man's co-operative society, advertises himself as an "Auditor, Accountant, Estate Agent, Valuer, and Estate Agent," from which list of duties he has seen fit to omit that of auctioneer. He keeps a little shop (or rather the little shop keeps him), in which he sells bad cigars and children's toys.

No. 8 has abandoned the savoury occupation of a "herring curer" for the more lucrative, if less congenial one, of an "Accountant, Commission Agent, and Rent and Debt Collector." (quoted in *Accountant*, 18.9.1880, p.6).

Through the 1870s the activities of untrained and incompetent persons described as 'accountants' were "the thorn in the side of all respectable accountants" (*Accountant*, 21.12.1878, p.3). The newspapers and professional journals reported numerous instances of the malpractices

of *soi-disant* accountants, amateur trustees, and accountants acting in trade, mercantile and creditor protection agencies. Complaints of excessive fee-charging, touting, issuing circulars, unclaimed dividends, defalcation and the mismanagement of insolvent estates all featured. The law press appears to have taken particular delight in printing such misdeeds. The published misdemeanours of ‘accountants’, especially in liquidations, resulted in hostile publicity and created stereotypical images of accountants which were offensive to those who claimed professional status. In the worst cases an interloper might appear as a defendant before the courts as a ‘public accountant’. For example, on 5 May 1877 *The Accountant* reported the case of Robert Shaw, ‘public accountant and auctioneer’ who absconded with creditors’ property and was arrested in Liverpool (p.2). The professional organisations, devoid of statutory protection, could do little about such appropriations of this badge of professionalism. *The Accountant* complained that the term ‘accountant’ “has unfortunately come to be adopted as a convenient designation for persons of no particular occupation, who suddenly discover themselves in legal difficulties; hence the reports of police courts and of the law courts frequently narrate the misdoings of persons described as ‘accountants’, or as ‘public accountants’, who have simply usurped the title” (1.5.1880, p.3).

The Accountant became very adept at identifying and responding to adverse comments arising from the activities of the so-called accountant. In March 1878 it pre-empted such hostility by stating “We may anticipate inquiries on the subject by stating that the Edward Downs describing himself as an accountant, of Moorgate Street, charged with forging leases, is not a member of either of the societies of accountants in this country” (30.3.1878, p.6). At times sensitivity to the consequences for the profession at large of the misdoings of ‘accountants’ was taken to extreme. In May 1878 an ‘accountant’ was fined five shillings for stealing a newspaper from a bookstall in the City. This provoked *The Accountant* to assert that “the fact of this person

calling himself 'an accountant' is no reflection upon the profession as a body, since it unfortunately possesses no power of preventing any one from assuming the title, however unwarrantably. Every man is not a gentleman whose friends address him as 'Esq.'; nor does every one belonging to the accountant's profession who dubs himself an accountant. But some unreasonable outsiders seem to think otherwise" (18.5.1878, p.4).

The absence of a single national, active, high profile institute encompassing all professional accountants was considered a major factor in the public and media's perception that there was little or no difference between an uninstructed 'accountant' and members of the accountancy organisations. The stigmatisation and vilification attaching to the misdeeds of the *soi-disant* accountant appeared to be indiscriminate. It tended to defame members of the professional organisations as well as those outside them. As *The Accountant* constantly lamented "At present any one who chooses may style himself an accountant, just as anyone may be a dentist; but the recognised members of the profession must not be blamed for the vagaries of outsiders" (21.8.1875, p.4).

'So-called' accountants and calls for organisational change, 1874-1879

The angst caused by the presence and activities of the *soi-disant* accountant was a constant theme during the mid to late 1870s. It figured prominently in discourses on accountants which erupted following the outbursts of judges, the reports of the Comptroller in Bankruptcy, the appearance of bankruptcy bills and adverse comments in the press. The problem also emphasised the need for organisational change in the profession.

As indicated above, from its first appearance in 1874 *The Accountant* was the principal medium for discussing the impact on professional men of the *soi-disant* accountant and for suggesting remedies to the

problem. *The Accountant* recognised that “the profession is constantly held up to public scorn as being liable for the discreditable practices of some of those gentlemen who advertise themselves as ‘accountants’” (6.3.1875, p.2). Further, “Not unnaturally the outside world ... confound all accountants with such a specimen, and are apt in the case of their placing confidence in him ... to cry out, not against their own blindness, but against the profession which numbers such men in its ranks” (13.3.1875, p.3). In order to end the sweeping reproaches cast upon accountancy practitioners *The Accountant* suggested that the profession required “purification” to exclude the parasitical. The description ‘accountant’ had to be confined to “qualified and respectable men”. This could be achieved by a united profession incorporated under a royal charter and claiming the exclusive use of the title ‘certified public accountants’. Much benefit would accrue to the respectable accountants and the public if the profession were “thoroughly organised, composed only of capable men, and enabled at once to put down pretenders” (6.3.1875, p.2).

The outburst by Mr Justice Quain at the Bristol Assizes in August 1875 was particularly significant in illuminating the problem of the so-called accountant. Reportage of the judge’s comments revealed the existence of a bifurcated occupation and the need to address the indiscriminate use of the nomenclature ‘accountant’. The *Daily Telegraph*, for example, supported Mr Justice Quain in an article about the state of the accountancy profession. The *Telegraph* recognised that there were “accountants and accountants”. While firms such as Quilter Ball, Messrs Turquand and several older established practices in London upheld the highest standards there many of lesser repute:

... there are black sheep in every profession and in every calling; and as it is open to any man who chooses to dub himself an accountant, or a “certified accountant,” or a “professed accountant,” or an “accountant of the City of London,” it is to be feared that the tale of shady and disreputable practitioners in this peculiar branch of

business is very much larger than it might be. An honourable and respectable practitioner takes the very strictest care to confine himself to his legitimate business. For the smaller and discreditable fry, all is fish that comes into their net. They collect debts, they discount bills on a petty scale, and at exorbitant and ruinous rates; they are best pleased of all when fortune sends in their way a little bankruptcy case with some chance of fat pickings. The impudence of these freebooting extortioners is almost beyond belief ... it is out of bankruptcy, as it is at present administered, that these undergrown vultures make their largest gains (quoted in Accountant, 21.8.1875, p.12).

These comments implied that the accountancy bodies which had been established in 1870 and 1871 had failed in their objective to distinguish professional from non-professional accountants. Further organisational change was therefore necessary:

As long as any disreputable ex-attorney's clerk or small usurer's jackal may style himself 'accountant,' the profession of accountancy, which ought to be, and in honourable hands is, a most trustworthy and valuable calling, will remain, as it is at present, a sort of legal Alsatia. Accountants of ascertained position, for self protection, should take measures to prevent the title under which they carry on their legitimate business from being thus abused by unscrupulous and only too often fraudulent pettifoggers, and the position of an accountant ought to be made as responsible and as satisfactory as that of a notary public, or a surrogate, or even an attorney. At present the black sheep are bringing the old-fashioned and well-conducted houses into disrepute and ill odour, and the profession, if we may so call it, is in a position in which it will do well to consider carefully its own interests and future prospects (quoted in Accountant, 21.8.1875, p.12).

The Accountant, though deprecating the partiality and hostility displayed by Mr Justice Quain towards accountants, also conceded that his comments and the press reaction to them reinforced the need to

address the structure of the profession. The sweeping denunciation of all accountants was unfair to those who were recognised as professional men. It was necessary for accountants to “consolidate themselves more”, unify to repel the negative and unjust criticism levelled against them, “Otherwise they may find that a feeling will be aroused, encouraged by their apathy, fed by sinister motives of class jealousy, and aided by the clamour of those who shout with all noisy babblers, which may be hard to allay” (*Accountant*, 21.8.1875, p.4).

Letters to the editor of *The Accountant* also objected to Mr Justice Quain’s “gratuitous vilifying of the whole profession” but supported the suggestion in the *Daily Telegraph* that the episode revealed the need to place “competent and reputable accountants upon a proper footing of protection” (*Accountant*, 21.8.1875, p.7; 11.9.1875, pp.3-4). One correspondent, a member of the Institute in London, added “Such cases ... more than ever serve to show the necessity of the public accountants of England combining to let their voices be heard in defence of their just rights, whenever and by whomsoever assailed” (*Accountant*, 21.8.1875, pp.7-8). In early September 1875 an article in the *City Press* reinforced the point: “to prevent unscrupulous aspirants to questionable fame causing a slur to be cast upon a respectable calling, it is desirable an effort should be made to place the profession of an accountant on as responsible a basis as either the legal or medical profession, and to render it illegal for anyone openly to announce himself and practice as an accountant in the City, and elsewhere, unless he possesses a certificate, to be issued under conditions to be determined upon by a legally constituted society” (quoted in *Accountant*, 4.9.1875, p.14). In its 1 January 1876 number *The Accountant* reflected on the events of 1875, especially the notorious diatribe of Mr Justice Quain. The journal expressed the hope that such events would provoke moves towards “union and consolidation” in the accountancy profession during the coming year (p.5).

The need to protect professional accountants was reiterated in *The Accountant* through 1876. Having reviewed the fourth annual meeting of the Society of Accountants in England, it was stated in an editorial that the remuneration of genuine accountants “attract a host of ignorant quacks, who, by taking the outward semblance of those to whom they wish to assimilate themselves, succeed for a time in entrapping the unwary, and bringing disgrace on the profession to which they assume to belong. Hence, the existence of charters, and the many barriers that interpose between self-seeking ambition and the jealously guarded doors of the professions” (20.5.1876, p.3). The profession, therefore, required a royal charter “to preserve it at all points from the inroads of uneducated and unscrupulous quackery”.

During the summer of 1876, when a Report by the Lord Chancellor's Committee on Bankruptcy law reform was published as well as the Comptroller in Bankruptcy's Supplementary Report and a government bankruptcy bill was presented, the discourse on trustees and accountants was re-ignited. Attention again shifted to generalised assumptions about the misdeeds of accountants and the need for organisational restructuring. *The Accountant* made concerted efforts to disown any connection between the professional man and the 'sham' or 'counterfeit' accountant. It argued that all professions harboured black sheep but while most were enabled to strike off the miscreant practitioner or take action against the appearance of quacks the accountancy profession was not so fortunate (24.6.1876, pp.2-3). In the absence of statutory registration and organisations encompassing all practitioners, the accountants had no capacity for distancing their vocation “from the stigma of harbouring rogues and extenuating roguery, when, as is occasionally the case, some criminal is ‘described as an accountant’” (*Accountant*, 24.6.1876, p.2).

Individual practitioners also wrote to the editor of *The Accountant* to advocate organisational change in response to the assaults made on the profession during the summer of 1876. 'WHN' urged a strategy

of exclusionary closure through the formation of a single society based in London. He argued that “all *respectable competent* men engaged in the profession of accounts would find it conducive to their interests to be registered in the books of such a Society; while the *unworthy* and *incapable* practitioners would be left outside and would ultimately drop into obscurity” (emphasis in original, 24.6.1876, pp.10-11). ‘Vigilans’ urged the accountants of Britain to congregate in London and discuss “the speedy uniting” of the profession (*Accountant*, 24.6.1876, p.11).

In July 1876 *The Accountant* considered that recent indiscriminate assaults on accountants by policy makers showed the need for unity as never before. It reiterated its analysis of the current state of the profession – of the appearance of “innumerable imitators” seeking the rewards achieved by professional men: “The real mischief of this is the partial and often very considerable success which frequently attends such quackery; the public finds itself deluded; and the reputation of the whole profession suffers in consequence. This has been peculiarly the case with accountants” (*Accountant*, 1.7.1876, pp.3-4). For some time “counterfeit accountants” had been “the greatest thorn in the side of the profession” and organisations had been formed from 1870 to 1872 to address the problem. Now, however, influential parties such as the Lord Chancellor and the Comptroller in Bankruptcy, displaying limited knowledge of the difference between the two classes of accountants, had joined the fray. In a discussion of the ‘Status of the Profession’ on 30 September 1876 *The Accountant* suggested that it was “the duty of the Societies to impose as many restrictions as possible upon the growth of the inferior element in the profession they represent” (pp.3-5).

The annual reappearance of parliamentary bills on bankruptcy reform, discussed in chapter six, also provided an opportunity to repeat demands for the protection of the accountancy profession from the influx of usurpers. In a discussion on the Bankruptcy Law Amendment Bill in May 1877 *The Accountant* argued “it is especially beyond question that unless something is done to check

the malpractices of *soi-disant* accountants, the genuine men will sigh in vain for a recognised professional status. This is a consideration which must enter into the question of bankruptcy law amendment” (26.5.1877, p.4). When commercial organisations contributed to the debate on bankruptcy reform by complaining against the malpractices of trustees *The Accountant* lodged its customary objection to the unjust and “wholesale censure” of professional and non-professional accountants alike (10.1.1880, pp.4-5). Adverse press comments on defaulting trustees in January 1878 brought forth a familiar response from *The Accountant* “The attacks repeatedly made upon professional accountants find their only justification in the malpractices of *soi-disant* members of the profession, whom genuine accountants repudiate as much as anybody. The injustice of condemning a profession, because it contains a few black sheep is too obvious to need demonstration” (12.1.1878, p.5).

The importance of constituting a single, national organisation, recognised by the state, as a means of either excluding or disciplining the miscreant increasingly featured in discussion of *soi-disant* accountants in 1877 to 1878. The Select Committee of the Companies Acts in 1877 heard that many accountants were not members of professional bodies and therefore not subject to organisational discipline (Report, 1877, p.23). During the late 1870s *The Accountant* published instances of the abuses of non-professional accountants as confirmation of the powerlessness of the extant professional organisations to act in cases where the offender was outside their body, and the consequent need for unification and closure. As related in the section above, in 1878 *The Law Times* also began to draw attention to the difference between “pettifogging fellows who call themselves accountants” and genuine accountants, and approved of measures to address the problem of the former (*Accountant*, 16.2.1878, p.3). One correspondent from London responded positively to the stance of *The Law Times* by writing:

Unfortunately, until we obtain a legally recognised status, we are liable to be judged by the worst specimen extant. Several instances have come under my own personal knowledge of clerks whose services were dispensed with because they could not even cast a column of figures correctly, much less work out five per cent interest from a table, having started in practice on their own account. Such men ... must necessarily bring discredit on their colleagues, for one cannot at present deny their right to call themselves accountants (Accountant, 23.2.1878, p.6).

The sweeping condemnation of all accountants by a solicitor in response to touting by an 'accountant' encouraged the following retort by *The Accountant*:

The profession repudiates such persons, but, unfortunately, that is all it can do. The various societies of accountants would of course refuse to admit a man who attempts to gain business by such proposals to the privileges of membership; but they are powerless to prevent the assumption of the title and description of "accountant". They know only too well that it is through the misdoings of self-styled members of the profession that accountants are laid open to the unjust and sweeping charges with which they are often assailed as a body. The bona-fide members of the profession would gladly support any scheme by which charlatans could be promptly dealt with, and their touting and other improper practices put an end to. But while the legislature continues to refuse to recognise the evil, except by attempts at repressive enactments aimed indiscriminately at good and bad accountants alike, but small hope can be entertained of remedy (8.6.1878, pp.3-4; 24.8.1878, p.4).

The Comptroller in Bankruptcy's return on defaulting trustees in 1879 presented another opportunity to complain about the general stigmatisation of all accountants and the need to separate the reputable from the disreputable practitioner (25.10.1879, pp.4-5; 6.12.1879,

pp.4-5). On occasion, support was offered by writers in other periodicals. The author of a piece on liquidators complained that "The term liquidator, or accountant, is the most elastic in the world, and may mean anything or nothing". The public were unable to distinguish the charlatan from the reputable liquidator. The incorporation of all respectable accountants was desirable in order that they "would then be able to defend themselves from the mere adventurers outside" (quoted in *Accountant*, 2.2.1878, p.3).

The accountancy profession required consolidation, representation by a single central organisation armed with strong disciplinary powers if it were to define those who could be relied upon as reputable and competent practitioners and exclude from its ranks those who were not (*Accountant*, 9.8.1879, p.3). Some saw the answer as statutory protection. *The Accountant* commented:

It is perfectly true that the governing bodies of the several societies of accountants would act promptly and effectively in regard to unprofessional practices, but they are powerless, simply because the persons who do these things are not members of such societies and are therefore beyond control. This simply furnishes another reason for the establishment of a strong governing body armed with legislative powers, and able not only to regulate professional conduct within its limits, but to prevent the unwarrantable assumption of the title by outsiders (22.2.1879, p.3).

Such measures would also relieve professional accountants "of much of the undue competition for business they have now to contend against on the part of adventurers" (*Accountant*, 4.10.1879, p.4).

Others argued that the award of a royal charter would be sufficient. In September 1879, 'Calculus' wrote:

It is most desirable that a charter should be granted empowering a corporate body to draw the necessary distinction between the various classes of so-called accountants.

That there are in our own midst many who call themselves accountants, while they are utterly incompetent to perform even the inferior duties appertaining thereto, is undoubted, and it is only by a charter that the men who so disgrace us can be prevented from mis-representing themselves, to the detriment of their clients, and the injury of the whole profession (Accountant, 6.9.1879, pp.5-6).

Summary

The organisations of accountants established in 1870 and 1871 had not effectively settled the inter-professional and intra-occupational conflicts which had encouraged their formation. Although day-to-day relationships between accountants and lawyers appeared amiable and mutually beneficial, the professional media contributed to the widespread public condemnation of accountants. In response to the threat of accountants and other invading occupations the lawyers formed a protective organisation, the Legal Practitioners Society. This served as a useful demonstration to accountants of the potential effectiveness of a national association which promoted measures for occupational protection in the legislature. Lawyers were a powerful lobby and initially encouraged the reform of bankruptcy law in directions antagonistic to the interests of their accountant foe. Whereas the passing of the Bankruptcy Act, 1869 and the amendment of the Legal Practitioners Bill, 1874 were perceived as evidence of government support for accountants and as setbacks for solicitors, a court decision in 1876 indicated that the Attorney-General was shifting towards the solicitors' view. By the end of the 1870s the legal press perceived the advantages of organisational change in the accountancy profession to address the inter-professional conflicts between solicitors and accountants over insolvency work.

The provision for competitive, creditor-elected trustees under the Bankruptcy Act, 1869 encouraged a growing number of 'so-

called' accountants during the 1870s. Membership of the professional organisations represented a relatively small proportion of all accountants by the end of the decade. Being outside their control, the accountancy bodies were unable to exert disciplinary powers to prevent the misdeeds of the many 'quack' accountants. The considerable criticism levelled against the occupation, particularly in relation to insolvency work, was invariably indiscriminate, attaching to anyone labelled an accountant – professional or otherwise. The defamation of all accountants was a scourge on respectable practitioners and revealed the anonymity and limited effectiveness of the organisations established in 1870–1872 to represent them. The need to address the persistent problem of the *soi-disant* accountant encouraged demands for the creation of a high profile, united organisation, recognised by the state, to 'purify' the profession.

CHAPTER SIX

ORGANISATIONAL INEFFECTIVENESS: RESPONSES TO EXTERNAL THREATS TO PROFESSIONAL TRUSTEISM

Widespread criticism of the Bankruptcy Act, 1869 encouraged the Conservative government to review the working of the statute and promote a reforming measure. Following the issuance of a report by a Committee appointed by the Lord Chancellor on the Bankruptcy Act, the government presented a bill on the subject to Parliament in 1876. The measure, together with alternative bills, were subsequently re-introduced each year as lack of parliamentary time prevented a new act from entering the Statute Book. The government's bill contained provisions which were offensive to accountant trustees. This chapter reveals that the disparate organisations of accountants formed in 1870-1872 were unable to secure the removal of clauses in the proposed legislation which were hostile to their members' interests.

Government and bankruptcy law reform

The first official investigation into the defects of the 1869 Act came in 1874 when Lord Chancellor Cairns responded to complaints about the working of the statute by appointing a committee of five individuals to examine the bankruptcy system. These were Mansfield Parkyns, the Comptroller in Bankruptcy; a County Court Judge; a Registrar in the London Bankruptcy Court; Henry Nicol, an officer of the Treasury; and William Hackwood, a London solicitor experienced in bankruptcy practice (*Hansard*, 1.6.1876; 17.2.1879). Hackwood was

influential in the preparation of the committee's report (MS28408/2, p.49). It was observed that none of the committee members were accountants or representatives of business. When the committee reported in summer 1875 it desisted from advocating a return to officialism but did recommend the tightening of regulations on trustees (Markham Lester, 1995, p.176). The report stated that the 1869 Act was not working as expected. Particular concern was expressed about the heavy cost of the trusteeship system, the absence of checks over trustees in liquidation cases, and unclaimed dividends retained by trustees (*Hansard*, 1.6.1876; LCO 1/20).

The Report of the Lord Chancellor's Committee was the springboard for government attempts to pass a new bankruptcy act. The Bankruptcy Bill (later the Bankruptcy Law Amendment Bill) was first presented to the House of Lords by the Lord Chancellor in June 1876 (*Hansard*, 1.6.1876). It was subsequently re-introduced by the Tory administration, without substantial amendment during every parliamentary session to 1880. In 1877 and 1879 it passed the House of Lords and began its progression in the Commons but was eventually withdrawn (*Hansard*, 16.7.1879). Pressure of business ensured that the bill did not reach the Statute Book. Although the proposed legislation did not depart from the basic principles of creditor control, it did attempt to address the evils in its working. The focus on trusteeships in this regard ensured that the bill contained a number of features which would impact on accountants. As *The Accountant* was to comment "Whenever a contemplated alteration in the bankruptcy laws attracts public attention, the remuneration of bankruptcy trustees naturally occupies a principal place in the eyes of those who have to deal practically with that alteration" (13.4.1878, p.4).

The threat to accountants

While the Lord Chancellor envisaged that his Bankruptcy Bill “would bring about an improvement in the choice and selection of the persons who were to act as trustees” (*Hansard*, 1.6.1876), there was some cause for anxiety amongst accountants, the group most “interested in maintaining the present state of things” (*Hansard*, 16.7.1879). In October 1879 one ‘Young Accountant’ stated in a letter to the *London Standard* that “The new Act is likely, in the opinion of many, to considerably reduce the number of accountants” (*Accountant*, 11.10.1879, p.10).

There were a number of hostile provisions in the Lord Chancellor’s bill. It proposed that considerable power would be vested in a Committee of Inspection, selected by the creditors. This Committee would appoint the trustee, as opposed to the current practice of election by the general body of creditors. The Committee of Inspection would also direct the trustee’s administration of the estate and could appoint other agents (such as a solicitor). The bill provided that the remuneration of the trustee would no longer be at the discretion of the creditors. Rather, a fixed scale would be instituted for cases where the bankrupt’s assets did not exceed £3,000. The scale was based on debts collected, property realised and dividends distributed. Trustees’ remuneration could exceed the scale in special circumstances but only following a recommendation by the Committee of Inspection to the court. Where the bankrupt’s assets exceeded £3,000 a fitting remuneration to the trustee would be determined by the court following the submission of a report by the Committee of Inspection. The misuse of funds by trustees was addressed in the bill by providing that all sums received by the trustee would be kept in a separate bank account for each case and by the regular submission of accounts to the Comptroller in Bankruptcy. Failure by the trustee to comply would result in dismissal and contempt of court respectively.

The Lord Chancellor was especially concerned about the absence of controls over unclaimed dividends – the way in which trustees employed devices to ensure that dividends went unclaimed and utilised these funds to finance distributions in other insolvencies (*Hansard*, 1.6.1876). There were, therefore, provisions in his bill for the regulation of undistributed funds and unclaimed dividends. Whether the bankruptcy was closed or not, after two years the property held by the trustee would be transferred to the court. The *Daily Telegraph* considered this provision represented “a most formidable blow” to accountants who had prospered on undistributed assets (*Accountant*, 10.6.1876, p.13). Finally, Lord Cairns’ bill sought to replace liquidations by arrangement, which had proved especially lucrative to accountants, by deeds of arrangement.

An alternative Bankruptcy Act (1869) Amendment Bill, sponsored by the Associated Chambers of Commerce, was also introduced to Parliament each year from 1877 by Mr Sampson Lloyd. As its title suggests, this was an incremental measure which sought to entrench creditor control (Markham Lester, 1995, pp.186–188). According to *The Accountant*, its presence reflected the view of practical commercial men “that the best way of dealing with the present question of bankruptcy law reform is by keeping the good and destroying the bad provisions of the existing act” (30.3.1878, p.4). Although this bill sought to address some of the abuses associated with trusteeships it was not a major threat to accountants and was sympathetically received by many of their number. The Bankruptcy Act (1869) Amendment Bill proposed that the creditors might leave the remuneration of the trustee to a Committee of Inspection but did not impose scales of charges. It provided that trustees would place estate funds in a bank, required the submission of accounts by trustees every six months, and retained liquidations by arrangement and composition.

Not only did the presence of these bills cause insecurity among accountants, the parliamentary debates on them also augmented the

indiscriminate and adverse public portrayal of their occupation. In the House of Commons on 16 July 1879 for example, accountants were grouped with ‘fifth rate solicitors’ as among those “who have fattened upon the system” (*Hansard*, 16.7.1879). The Attorney-General also referred to the way in which accountants sought to realise insolvent estates “to transfer as much of it as he possibly can to his own pocket, and to the pockets of those in his service, and those whom he is desirous of favouring”. Osbourne Morgan, MP considered that a “cause of the failure of the 1869 statute was the existence of the new class of trustees whom the Act had created – a class whose profession it became to prey, like vultures upon carcasses, upon the estates of insolvent persons, and to get as much as they possibly could out of them” (*Hansard*, 16.7.1879). Another MP referred to accountants’ charges as being “an infamous legalized robbery of everybody”.

Diverse organisational responses

The responses of organised accountants to legislative threats and the stinging criticism spouted in Parliament revealed the debilitating effects of competing organisations seeking to defend common interests. The protestations of accountants appear to have had limited impact on policy makers in an environment where incomplete organisation facilitated popular disdain for anyone labelled an ‘accountant’.

The major organisations of accountants displayed different styles of political activity when confronted with threats posed by reforming legislation to the pecuniary interests of their members. The Institute of Accountants assumed a passive and lofty stance, seeking to influence through measured consideration and personal meetings with policy makers. The Institute thwarted attempts to construct unified responses by the accountancy organisations. The Society of Accountants in England adopted a combative style and operated more openly in the public arena. Its political weight was enhanced by its national scope

but its authority was limited by the fact that the leading accountancy practitioners were not among its members. The Manchester Institute was proactive and direct. The discordant ideologies of elitism and meritocracy ranged across the organisations and introduced an element of what some contemporaries described as 'sectionalism' to the profession. There were also times where the localised organisation of the senior institutes in Liverpool, London and Manchester served as a structural and geographical impediment to united action during the mid 1870s.

The absence of accountants on the Lord Chancellor's Committee, 1874-1875, was an early indication of the limited recognition accorded by government to the organisations established to represent accountants. The non-selection of a representative from the profession most interested in insolvency administration was clearly an affront. Responses to this illustrated the different approaches of the main accountancy bodies towards policy makers. The Society of Accountants resolved in December 1874 to urge the Lord Chancellor to include two or more accountants on his committee and sought the co-operation of the other organisations to "maintain the position of accountants" (MS28405/1, pp.172-173). The Council of the Manchester Institute responded enthusiastically to this approach, offered its co-operation in memorialising the Lord Chancellor and asked the Society how it could be of further assistance (Minute Book, pp.117-118). Following the Society's example, the Manchester Institute prepared a separate memorial requesting that one or two of its members be added to the Lord Chancellor's Committee. It was also considered that a separate submission to the Lord Chancellor by David Chadwick, MP would have good effect (Minute Book, pp.118-120). The Council of the Manchester Institute appointed a committee to draw up a list of improvements to the Bankruptcy Act for submission to the Lord Chancellor and suggested that a deputation be sent to appear before his committee (Minute Book, pp.125-126). The resultant report was sent

on 22 January 1875 and elicited the response that all the suggestions contained in it had already been considered by the Lord Chancellor's Committee (Minute Book, pp.128-129).

By contrast, the Institute in London, learning that the Lord Chancellor had no intention of interfering with the membership of his committee (MS28405/1, p.177), informed the Society of Accountants that it would not pursue the matter (MS28408/2, p.45). In contrast to the activism of the Society and the Manchester Institute, the Secretary of the Institute of Accountants affirmed the passivity of his organisation when he wrote "There is no intention on the part of this Institute of approaching the Committee with suggestions in furtherance of its project". Only if the Lord Chancellor's Committee requested the involvement of the Institute would assistance be given (MS28408/2, p.49). Similarly, the Liverpool Society determined to offer its opinion through the offices of the Institute in London rather than make unsolicited representations to the Lord Chancellor. Harmood W Banner, President of the Liverpool Society, travelled to the capital in January 1875 "expressly to lay before the Council his views concerning the Bankruptcy Act" (MS28408/2, p.52).

The Council of the Institute of Accountants did frame a communication to the Lord Chancellor once invited to do so. Further, its Secretary was requested by the Council to meet William Hackwood for a first hand insight into the work of the Lord Chancellor's Committee. (MS28408/2, pp.44, 50). In January 1875 Hackwood invited the Institute to offer suggestions on the amendment of the Bankruptcy Act and an Institute committee was established for the purpose (MS28408/2, pp.51, 53; MS28405/1, pp.178-180; MS28406, pp.31-32). Hackwood was duly informed that the Institute had set up a committee given "the great importance" which it attached to the question of the amendment of bankruptcy legislation (MS28408/2, p.54). It was recognised, however, that expedition was necessary if the Institute's "suggestions were to do any good" (MS28408/2, p.56).

Concerted and forceful responses were also necessary to counter other submissions to the Lord Chancellor's Committee which were antagonistic to accountants. For example, one solicitor and JP informed the committee that the Bankruptcy Act, 1869 had "warmed into existence a swarm of ill-educated, rapacious, and unscrupulous accountants, who, not being officers of the court, are subjected to no supervision, and consequently plunder and enrich themselves without control" (*Law Times*, 27.3.1875, p.382).

It is clear that in January and February 1875 the accountancy organisations were not well co-ordinated to respond to this pressure. Even though a list of suggestions had already been forwarded to the Lord Chancellor, the Secretary of the Manchester Institute asked his counterpart in London for a copy of the paper which the Institute of Accountants had submitted as it was concerned, belatedly, "that two discordant sets of suggestions might do harm" (MS28408/2, pp.57-58). The Manchester Institute was sent a copy of the Institute's report *after* it had been dispatched to Hackwood on 11 February 1875 (MS28408/2, p.63). Neither was there an attempt to ensure that submissions to the Lord Chancellor from individual accountants sang from the same hymn sheet. Henry Bolland, a member of the Liverpool Society, Fellow of the Society of Accountants and a Deputy Registrar in the Bankruptcy Court before the 1869 Act, independently petitioned "that every accountant who seeks to undertake bankruptcy business should hold some certificate from the comptroller of his fitness, and there ought to be lodged in each court a list of persons so qualified" (*Law Times*, 6.3.1875, pp.326-327). The report of the Institute of Accountants' committee offered suggestions for procedural improvements in liquidation and bankruptcy cases within the framework of the 1869 Act. The Institute committee ventured to suggest changes which marginally enhanced the power of trustees (MS28405/1, pp.181-184). Such arguments advanced by diverse accountants and the organisations which represented them appear to have had little persuasive effect on

the Lord Chancellor's Committee whose report, as illustrated above, contained heavy criticisms of trustees.

Different approaches among the accountancy organisations were also evident on the question of trustees' fees. In response to complaints about excessive accountants' charges in insolvency cases, the Society of Accountants convened a meeting of public accountants at the Guildhall Tavern, London on 12 May 1875. The Institute of Accountants, while recognising the inadequacy of trustees commissions, especially in London (MS28408/2, pp.97-98), was reluctant to address matters concerning accountants' remuneration (see chapter 7). At the meeting in the Guildhall Tavern it was decided that the Society of Accountants should form a committee to discuss the subject and a request was made to the organisations in London, Liverpool and Manchester to form committees to confer on the formulation of a scale of charges (MS28405/1, pp.198-200). The Institute in London retorted that "the proposed conference would lead to no practical result, inasmuch as it would be simply between persons interested on one side of the question only" (MS28408/2, p.77). The Liverpool Society concurred and saw "no necessity to take action in the matter" (Book of Proceedings, 4.6.1875). The Manchester Institute by contrast, formed a consultative committee as requested by the Society of Accountants, and its President was later disappointed to learn from a meeting with A C Harper, in London that the project to fix a scale of accountants' charges was likely to be abandoned (Minute Book, pp.143, 147; *Accountant*, 21.8.1875).

In 1876 a series of challenges to accountants came in quick succession. The Report of the Lord Chancellor's Committee on the Bankruptcy Act was published in that year along with the Comptroller's Supplemental Report on the costs of insolvency administration, and was soon followed by the first reading of the Bankruptcy Bill on 1 June. This assault encouraged the Institute of Accountants to take a more active interest in threats to the profession. Its responses, however, were unilateral despite the obvious commonality of interest with the other

accountancy organisations. In May 1876 Frederick Whinney asserted that statements made in the Comptroller's Report were "a very serious charge against Trustees, which ought not to be allowed to pass without some remark" (MS28405/1, p.236). On 15 June 1876 the Council of the Institute resolved that Whinney would chair a committee to examine the reports of the Lord Chancellor's Committee and the Comptroller as well as the Bankruptcy Bill (MS28406, pp.35-40). The Committee was given authority to confer with Mr Hackwood on the bill. It was also decided to ask the Comptroller for the names and occupations of 446 instances of trustees, mentioned in his report, whose conduct had been reported in 1875 and details of 181 cases where a summons had been issued against the trustee (MS28405/1, pp.241-242; MS28408/2, pp.127, 130, 157). This elicited a response which showed that of 145 cases where summonses were issued against trustees practising before the London Bankruptcy Court, 93 were 'professional trustees' of whom 84 were accountants (MS28405/1, p.250).

When the Bankruptcy Bill was read a second time in the House of Lords on 22 June 1876 the Institute of Accountants prepared its response with more earnestness. The bill was perceived by the Institute as "a matter of grave importance to the profession" (*Accountant*, 28.10.1876, p.6). It was intended that a list of amendments to the bill would be compiled. The list would be communicated by the Institute's solicitor to Sir John Lubbock, MP and Sir Henry Jackson, MP who would be requested to move and second the amendments when the bill entered the House of Commons (MS28408/2, pp.141-142). The solicitor was requested to scrutinise the bill and advise the Institute's Council on how accountants would be affected by it and what amendments were necessary in the interests of the profession (MS28408/2, pp.142-143). The solicitor was reminded that "any legislation which gives more complete control of estates to creditors or their duly chosen representatives would not ... be regarded with dislike by the Institute"

(MS28408/2, pp.142-143). The need for preventative action was abated on 29 June when the Bankruptcy Bill, 1876 was withdrawn.

The Society of Accountants had responded to the Bankruptcy Bill, 1876 by preparing a memorandum for presentation to both Houses of Parliament. This contained objections to the measure in its current form. The Manchester Institute appears to have communicated with the Society on the subject as opposed to the Institute of Accountants. Its Secretary met with A C Harper, Secretary of the Society, in the capital to discuss the situation in late June (Minute Book, p.189). The Manchester Institute held a “long discussion” on the bill on 26 June 1876. It was later reported that the Council had been particularly concerned about the impact of the proposed legislation on the status and remuneration of trustees. More generally, the Council “perceived the retrograde character of the provisions . . . in their tendency towards a restoration of the officialism which prevailed under former Acts, and which had been swept away by the Act of 1869”. It asserted that any departure from creditor control was detrimental to creditors and the mercantile community (Minute Book, p.212, annual report). A copy of the Society of Accountants’ memorandum was requested by the Manchester Institute and a synopsis of the changes proposed by the bill was prepared for distribution to the members (Minute Book, p.189). The need for further action was halted when the bill was withdrawn (Minute Book, pp.190-193).

This episode of disparate responses to the common threat posed by the Bankruptcy Bill encouraged a comment by *The Accountant*. An editorial on 1 July 1876 emphasised the need for unity to counter the bill, a measure “directed against professional accountants” (p.4). It was argued that while the establishment of committees by the accountancy bodies to examine the hostile bill was laudable, their separate existence and disunited advocacy was debilitating. What was required to counter the drift towards officialism was a joint protest: “a union of accountants for the purpose of giving to the country a

wise and equitable Bankruptcy Law". Such collaboration would be a first step towards the greater object of amalgamating the professional bodies

A week later *The Accountant* reported that the Bankruptcy Bill had been withdrawn. While this was cause for celebration it was recognised that the reprieve was only temporary: "Accountants have been threatened with a very serious danger, and though this may now be safely past no assurance exists as to its non-recurrence. Next year another new Bankruptcy Bill will doubtless be introduced; and the extent to which its features will imitate those of its abandoned predecessor rests to a large extent with accountants" (8.7.1876, p.4). Joint action between the Society of Accountants and the Institute of Accountants was therefore considered desirable. This plea by *The Accountant* failed to incite the accountancy bodies to act in concert. Each continued to pursue the subject of bankruptcy law reform independently despite their common concern with preserving the fundamentals of the 1869 Act. Policy makers and interest groups continued to receive separate submissions on bankruptcy reform from the various accountancy bodies.

A sub-committee of the Institute of Accountants' Bankruptcy Committee compiled a report on 13 October 1876. The sub-committee comprised Frederick Whinney, Thomas A Welton and Arthur Cooper (MS28405/1, p.248). The report contained a reassertion of creditor control and was an attempt to preserve the status of trustees. It also urged the extension of the interests of professional accountants in insolvency work. In an opening statement which was to resonate with Whinney's later views on the statutory registration of trustees, the report argued that "lists of well-known and practised receivers and trustees should be made by the Court; [and] that the choice of the creditors should be confined to such lists" (MS28405/1, p.248). The report contended that creditors routinely appointed professional men to administer insolvent estates and power should continue to reside with

them, as opposed to the Committee of Inspection proposed in the Lord Chancellor's bill, on matters such as the appointment and removal of the trustee. Needless to say, the proposed scale of remuneration in the bill was considered inadequate given the diverse functions performed by trustees and the great variety of estates they administered. It was argued that the creditors were better placed to determine trustees' remuneration which should be based on time devoted to the case. The bill's proposed audit of trustees' accounts by an official was deemed inconvenient and unnecessary, especially when the creditors could perform the task themselves. The prescribed period in the bill for winding up was considered impractical given the complexity of certain insolvencies (MS28405/1, p.248).

The Institute sub-committee's Report on the Bankruptcy Bill, 1876 formed the basis of a paper on bankruptcy reform which was refined during the autumn of 1876 as 'Suggestions and Observations on Bankruptcy Law Reform' (MS28405/1, pp.259-264). According to *The Accountant* this document was "the most just and exhaustive treatise on the subject that has yet been printed" (24.2.1877, p.5). Frederick Whinney again played a significant part in framing the report. Copies of "Suggestions and Observations on Bankruptcy Law Reform" were distributed to the members of the Institute of Accountants, the Lord Chancellor and Mr Sampson Lloyd, MP during the winter of 1877 in the expectation that a bankruptcy bill would be presented to Parliament in the near future (MS28405/1, pp.274, 276, 281, 284; MS28404, pp.75-76).

The likelihood that the Lord Chancellor's bill would be reintroduced in 1877 also encouraged re-consideration of bankruptcy reform by the Manchester Institute. At a quarterly general meeting on 9 January 1877 a paper was read on the subject and it was resolved "That in the opinion of the Manchester Institute of Accountants the principle of the Bankruptcy Act of 1869 has been found worthy of being maintained". A committee was established to suggest amendments to

the extant statute (Minute Book, pp.204–206). The report was adopted at a special general meeting on 16 March 1877 when it was decided that its contents should be advertised in the local press, the *City News* and *The Accountant* (Minute Book, pp.209–210).

When the Lord Chancellor's Bankruptcy Law Amendment Bill was presented to the House of Lords in March 1877 the Institute of Accountants again established a committee to suggest amendments (MS28405/1, p.287). A statement of 'Observations and Suggestions on Bankruptcy Law Reform' was distributed to Peers at the end of March and it was envisaged that this document would also be sent to MPs when the bill reached the Commons (MS28404, p. 82; MS28408/2, pp.152, 170). A standing committee of the Institute was appointed to watch the bill (MS28405/1, p.294). The bill made good progress through the Lords and reached the Committee Stage by mid-April. *The Accountant* considered that the measure would enter the Statute Book in the current parliamentary session and urged the presentation of amendments in the interests of those who wind-up insolvent estates and the wider commercial community (24.3.1877, p.5; 26.5.1877, pp.3–4).

On 5 April 1877 the Manchester Institute agreed a Report on the Bankruptcy Bill and discussed the action it would take "to influence the course of legislation" (Minute Book, p.213). It was decided to distribute the report to the members of the Institute, chambers of commerce and various mercantile and trade associations. Distribution to the other accountancy bodies and the Lord Chancellor followed on 14 April (Minute Book, pp.214, 216, 218). It was suggested that the Lord Chancellor receive a deputation from the Manchester Institute – a request which was declined due to other engagements (Minute Book, p.218). The Institute of Accountants responded by sending copies of its own reports of observations on the bill (Minute Book, p.219).

The only suggestion that the accountancy bodies should act in unison to repel the offending legislation in 1877 came as the bill reached

the committee stage in the House of Lords, and it came rather late. On 20 April 1877, two days after the Institute of Accountants sent a set of 'Further Observations and Suggestions' to the Lord Chancellor, other senior Lords and *The Accountant* (MS28405/1, p.302; MS28408/2, pp.175-178), the Secretary of the Society of Accountants, A C Harper, whose Council was also considering a report on the bill, wrote to the other accountancy organisations to suggest that "the various Institutes and Societies of Accountants should take some steps to secure if possible, an unanimous expression of opinion upon the provisions in the proposed Bankruptcy Bill and an unanimous representation before any Committee of the House of Commons which may be appointed" (MS28405/1, pp.305-306; Minute Book, pp.218-219). The fact of this communication and the response evidences the Institute of Accountants' arrogant disregard for concerted action, particularly if it involved the Society of Accountants. The approach was not discussed by the Council of the Institute until 3 May 1877 when it was decided to inform Harper that the Institute had already presented its views to the Lord Chancellor and other relevant parties (MS28405/1, p.303).

Despite the receipt of Harper's letter on 23 April 1877 copies of 'Further Observations and Suggestions' were sent by the Institute to several other Peers, the President of the Incorporated Law Society and senior figures in the Associated Chambers of Commerce (MS28408/2, pp.179-181). Attempts were also made to invoke discussions on bankruptcy reform between the Institute and the chambers of commerce. The support of the other accountancy bodies appears to have been deemed unworthy of cultivation by the Institute of Accountants. The Society of Accountants was only sent a copy of 'Observations and Suggestions' and 'Further Observations and Suggestions' on 12 May 1877 (MS28408/2, p.192). The Liverpool Society likewise on 10 May (MS28408/2, p.194).

As the Bankruptcy Law Amendment Bill was about to be considered in Committee the Institute of Accountants focused on

personal persuasion of the Lord Chancellor. Frederick Whinney met with G W Lawrence, the draftsman of the bill (MS28406, p.45; MS28404, p.89) and President Turquand wrote a letter to Lawrence for communication to Lord Cairns, the Lord Chancellor. This focused entirely on the principal concerns of the profession about the bill: the clauses relating to the appointment, removal and remuneration of trustees, which despite earlier objections to the Lord Chancellor and others, had not been amended. Turquand argued that the provisions in the bill on these issues were not only "of great importance to the profession" but their implementation would render the new Act "a failure". Turquand observed that the sections on the appointment and removal of trustees were a response to the abuses arising from proxies and argued that attempts to wrest control from the creditors would be the source of "greater evils" than those presently endured. On trustees' remuneration Turquand reiterated that this should be left to the creditors and that the scale suggested "is wholly inadequate to remunerate professional men". The scale contained in the bill was based on the rates of a former age, were therefore unrealistic and insensitive to the cost of insolvency administration in London compared with the country. He also claimed that accountants in London were encumbered with the rising cost of living and practising in the metropolis, and the expense of engaging clerks at ever increasing salaries (MS28408/2, pp.189-192).

The Institute of Accountants took satisfaction from the fact that certain of the amendments it suggested to the bill in 'Observations and Suggestions' were accepted during the Committee Stage in the House of Lords. However, despite protestations to the Lord Chancellor on the remuneration of trustees the offending provisions remained in the bill. In July 1877, the bill having passed the Lords with the hostile provisions on trustees intact, the Institute sent copies of its 'Observations and Suggestions' to leading members of the House of Commons interested in bankruptcy, including the Attorney-General

and representatives of commercial organisations (MS28404, pp.89-90; MS28406, p.51; MS28408/2, p.210). Once again, however the threat was abated when the bill was withdrawn from the House of Commons on 30 July.

In December 1877 the Council of the Institute of Accountants revived its Bankruptcy Committee to consider action in relation to the likely reintroduction of the Bankruptcy Law Amendment Bill in early 1878, this time in the House of Commons. The Committee concentrated on the remuneration of trustees (MS28406, pp.53-54). At no stage during the parliamentary session of 1877-1878 does it appear that united action with the other accountancy organisations was contemplated by the Institute. This was despite the overtures of the Society of Accountants the previous spring and the failure of the separate accountancy bodies to secure the removal from the bill of hostile clauses on the remuneration of trustees in 1876 and 1877.

Summary

In response to the mounting criticism of the Bankruptcy Act, 1869, the government began to consider the reform of the law of bankruptcy. In 1875 the Report of the Lord Chancellor's Committee on the Bankruptcy Act recommended the tighter regulation of trustees. A resultant Bankruptcy Bill first appeared in 1876 but lack of time ensured its annual reintroduction to Parliament during the rest of the decade. Such legislative change was considered "of great importance" to the accountancy profession, particularly as the government sought to impose controls over the appointment, remuneration and removal of trustees. The discussion of the government's bill and alternative measures of bankruptcy reform in the legislature also offered further opportunities for the public chastisement of accountant trustees.

Despite their common interests in the matter, the threats to accountants contained in the government's Bankruptcy Bill were met

by diverse responses from the professional organisations. Attempts by the Society of Accountants and the Manchester Institute to encourage unified representations and greater political activism were not well received by the Institute of Accountants. In consequence, each organisation established its own committee on bankruptcy legislation, prepared its own reports on the subject, and made separate submissions to government. While this style of lobbying secured the amendment or removal of certain clauses in the Bankruptcy Bill, no progress was made on provisions concerning trustees' remuneration.

By 1878, the unilateral activity of the local and national organisations of professional accountants had failed to change the government's intention to pass a law which was hostile to the interests of their members. The prospect of the passing of the government's Bankruptcy Bill in 1878 was to focus the minds of the Institute and Society of Accountants on more effective action to protect the interests of the profession. Before this could occur, however, change was necessary in the leadership and policy of the Institute of Accountants.

CHAPTER SEVEN

ORGANISATIONAL INEFFECTIVENESS: INSTITUTIONAL DIMENSIONS

Given the challenges posed by the threat of bankruptcy law reform, and adverse publicity attending the activities of *soi-disant* accountants, professional accountants required strong, responsive, representative and cohesive institutions to defend their interests. However, the impression is easily formed that once organisation had taken place in London, Liverpool and Manchester in 1870-1871 the new bodies considered their immediate objective achieved. Organisations had been established in major centres which differentiated the professional accountant from the non-professional accountant in the wake of the Bankruptcy Act, 1869. In Liverpool an accommodation was successfully reached with the local legal profession over the distribution of work.

By the mid-1870s however, it was clear from the vitriol levelled against all accountants that the occupational differentiation hoped for at the start of the decade had not been fully achieved. Further, local organisations were ill-equipped to provide unified responses to a range of powerful and hostile forces. There were also shortcomings within the organisations themselves, particularly the Institute of Accountants, to which the rest of the profession often looked for leadership. Mounting discontent within the rank and file over the inactivity of the Institute and its ossified leadership culminated in the election of office-bearers in 1877 who were more determined to address the mounting threats to the profession and the question of its future structure.

The Incorporated Liverpool Society of Accountants

As discussed in chapter two the Liverpool Society of Accountants was the first organisation to form in 1870. Once the Society had been incorporated and agreement reached with local solicitors on the allocation of work under the Bankruptcy Act, 1869, activity slowed considerably. The membership of the Liverpool Society barely advanced beyond the first 25 men named in its Articles of Association (Book of Laws). Only five other members were admitted from 1870 to 1878, though 14 joined in 1879 when the prospect of national unification loomed (List of Members). The rules of the Society were not conducive to expansion. The Articles of Association provided that “any Accountant in Liverpool may become a member of the Society”. However, applicants for admission were to be proposed and seconded and required the support of three-quarters of those present at an annual or special general meeting (Book of Laws). It is likely to have proved difficult for the aspirant member to gain admission unless he was well connected to the group of self-selected founders. Neither was there a route *via* knowledge-based examinations and associateship. In July and December 1870 the question of “requiring qualification from candidates and as to having a class of Associates” was deferred until the rules of the London Institute were available as a point of reference (Book of Proceedings, 30.12.1870). There the matter was left. Unlike elsewhere no associate class was ever established in Liverpool. It is difficult to contest Hargreaves’ assertion that the Liverpool Society was effectively a “*corps d’elite*” (1970, p.1).

The objectives of the Society of Liverpool Accountants were:

1. *The protection of the character, status and interests of the Accountants of Liverpool, the promotion of honourable practice, the settlement of disputed points of practice, and the decision of all questions of professional usage or courtesy in conducting accountant business of all kinds.*

2. *The consideration of all questions affecting the interests of the profession at large, or the alteration or administration of the Law.*
3. *The doing of all such other things as are incidental or conducive to the attainment of the above objectives* (Book of Laws, 1870).

The first objective fundamentally reflected the circumstances attending formation (see chapter 2). After 1870 the Society conducted little business on questions of practice and usage. A rare exception was the division of labour with solicitors on the charging of fees for administering oaths on proofs in Liverpool bankruptcies (Book of Proceedings, 30.8.1871). Neither do the relatively sparse minutes of the Liverpool Society indicate the proactive pursuit of the second objective. As a small provincial body with a limited income stream (subscriptions were £2.2s. p.a.) the Society had a limited capacity to deliver on so broad a remit. Its Executive Committee and members met relatively infrequently. The Society was comparatively quiet on major issues such as bankruptcy reform. Its main avenue for pursuing the “interests of the profession at large” was through the presence of its President, Harmood W Banner, on the Council of the Institute of Accountants (once provincial members were selected after 1872) and through the activity of individual members such as Henry Bolland who was an acknowledged expert on bankruptcy. Like the Institute of Accountants the Liverpool Society responded coolly to the initiatives of the Society of Accountants for action on key but delicate issues such as accountants’ charges. Alfred C Harper’s letter on this subject in 1875 was met by a resolution of the Society “to take no action in the matter” (Book of Proceedings, 4.6.1875).

The Manchester Institute of Accountants

The Manchester Institute of Accountants made more progress than its contemporary in the north west of England and in many respects

was the most active of the local accountancy associations formed in 1870-1871. Even here, however, it was not long before the limitations of provincial organisation became apparent.

In the months immediately following its launch there was much satisfaction with the new Institute in Manchester. President Chadwick's Inaugural Address on 3 April 1871 was congratulatory in tone. The leading members of the local profession had united in a venture which would provide the public with a means of identifying reputable practitioners and advancing the status of professional accountants (Chadwick, 1871). At the quarterly meeting in July 1871 it was reported that the leading practitioners in the Manchester district had joined the Institute and that "the Institute was receiving a great amount of attention, and ... inquiries and applications for admission ... from Halifax, Rochdale, Preston, and even so far north as Barrow-in-Furness" (*Manchester Guardian*, 6.7.1871, p.3). The first annual report of the Council to the members in April 1872 continued in the same vein. It lauded a successful organisation: "By the formation of this Institute, the public, we believe, not less than ourselves, feel that the profession of Accountancy has acquired a guarantee, that its members are competent to the discharge of the duties they undertake, and that the want of which all have been conscious of some recognised test of character and ability has been satisfactorily met" (Minute Book, p.39).

Consideration was to be given to other activities which would increase the usefulness of the Institute. These included securing premises and devising a scale of fees. Even though the condition of admission to fellowship was five years in practice as a professional accountant, it was confidently expected that "all the accountants in this district who feel they can pass the requisite examination will apply for membership" (Minute Book, p.39). The entrance fees to the Manchester Institute were conducive to a large membership, especially when compared with its counterpart in London (£5.5s. for Fellows before 1 July 1871 and £10.10s after that date; £5.5s for

Associates and the same amount on admission to Fellowship (*Rules and Regulations*, 1871, p.7)). Yet, membership of the Manchester Institute remained static. At 31 December 1871 it boasted 46 Fellows and three Associates. One year later this had fallen to 42 Fellows and three Associates. By 1877 there were still only 47 Fellows and 15 Associates. This increased to 52 Fellows and 26 Associates in 1879 (*Manchester Guardian*, 5.4.1879, p.5). Membership increased more significantly with a rush of applications in the months preceding the formation of the ICAEW. By April 1880 there were 57 Fellows and 51 Associates (Minute Book, p.313). If it were not for a rule change the number of Fellows would have declined further during the mid-1870s (Minute Book, p.173). The Rules and Regulations had originally provided that from 1 January 1873 all Fellows were to be elected from among Associates in practice for three years (*Rules and Regulations*, 1871, p.6). In January 1875 it was agreed that on recommendation by the Council and a two-thirds vote by the members “exceptional cases”, of accountants in practice for five consecutive years, might be elected as Fellows (Minute Book, p.124).

The Manchester Institute pursued its objective “to protect the interests of its members; [and] to express opinions upon all questions relating to the profession” more actively than the organisations in London and Liverpool (*Rules and Regulations*, 1871, p.1). It encouraged publicity of its proceedings by printing and distributing press reports of general meetings to solicitors and others, and by inviting local luminaries to attend its annual dinners. It worked to enhance the visibility of its members by encouraging their use of credentials, issuing certificates, and distributing framed and glazed lists of members to solicitors, public companies, the Royal Exchange and the local chamber of commerce. In 1878 the Institute resolved to establish a register of clerks. It also investigated complaints against members (Minute Book, pp.112-115, 161-162) and attempted to secure the appointment of its members to offices in place of ‘incompetent’ persons. One such instance was the

auditorship of the Manchester Corporation Gas Accounts (Minute Book, pp.129-130).

The Manchester Institute also responded positively to the initiatives of the Society of Accountants to lobby the Lord Chancellor's Committee, pursue the question of accountant's charges in bankruptcy and liquidations and raising objections to bankruptcy bills after 1876 (Minute Book, pp.143, 189). In relation to the latter the Institute encouraged all members to engage with its Bankruptcy Committee in preparing reports for submission to the Lord Chancellor, other institutes, trade associations and chambers of commerce (Minute Book, pp.212-213, 216-217). The meetings of Council and members also discussed practical issues such as the calculation of Income Tax under Schedule D (Minute Book, pp.88-89) and the duties of auditors (pp.155-156). Papers were given during some quarterly general meetings on subjects of interest to the members. These covered: 'The Liability of Public Accountants to serve on Juries with its Bearing upon the Status of the Profession' (1871), 'The Best Means of Making the Institute Useful' (1871), 'Thoughts on the Education and Training of Accountants' (1872), 'A Few Thoughts on the Proposal to Establish a National Institute of Accountants' (1873), 'Some Remarks on the Working of the Bankruptcy Act 1869 as Regards Accountants' (1874), 'On Depreciation' (1876) and 'Bankruptcy Reform' (1877).

Other attempts to develop a knowledge-based professional organisation made less headway. In the public discourses immediately preceding and subsequent to the formation of the Manchester Institute, much emphasis was placed on identifying the knowledge required to practise professional accountancy and the importance of establishing systems for its transmission (*Manchester Courier*, 10.12.1870, p.7; *Manchester Guardian*, 6.7.1871, p.3). David Chadwick referred to the arrangements for training and examination established by the chartered institutes in Edinburgh and Glasgow and urged that entry to the organisations in England should be based on "learning and

ability” tested in a “searching and impartial” manner if the status of the profession were to be enhanced (*Law Times*, 21.12.1870, p.166; Chadwick, 1871, p.12). In his presentation on ‘The Best Means of Making the Institute Useful’ at a quarterly meeting on 2 October 1871 Chadwick argued that it should be the aim of every Fellow and Associate to diligently acquire knowledge relevant to the profession. This would legitimate claims to superior ability over those accountants who were not members of the Institute and therefore maintain a competitive advantage. Chadwick added “If they were no better than those who were not upon its list the public were not likely to prefer to select them” (*Manchester Guardian*, 4.10.1871, p.6).

As mentioned above, at a quarterly meeting on 15 January 1872 a paper was read by James Malcolm entitled ‘Thoughts upon the Education and Training of Accountants’. This expansive presentation covered theoretical and technical skills, subject knowledge, apprenticeship, syllabi and urged the elders of the Institute to establish “standards of the very highest and severest order” for future generations of members (Malcolm, 1873, p.19; *Manchester Guardian*, 18.1.1872, p.5). Malcolm observed that: “Instead of calling ourselves a Society of Accountants, we have chosen the word “Institute.” Now this term is indicative of educational, literary, and scientific acquirements. It connotes the idea of learning, suggests tests and scrutinies, maxims and first principles, and may be appealed to as a repository of knowledge” (1873, p.16).

The Manchester Institute, however, appears to have made little progress beyond its early pedagogical idealism. At first the omens were good. The Rules were framed to ensure that admission to Associate depended on attaining the age of 21, five years’ experience as a clerk to a professional accountant and passing examinations on books and accounts, mercantile and bankruptcy law, insolvencies and liquidations and the duties of auditors (*Rules and Regulations*, 1871, pp.4-5). In March 1871 the Council established a sub-committee to examine “the nature, extent and mode of conducting examinations” (Minute Book,

p.11). Enquiries were made of the testing regimes introduced by the institutes in London and Glasgow.

Thereafter, the numbers coming forward for examination being small, standard practices did not endure. In one instance a potential Associate was examined on the business of an accountant *viva voce* by a Committee of Examiners (Minute Book, 12.6.1871, p.21). Several others appear to have been admitted as Associates purely by Council ballot. Thomas Gregory was so admitted in October 1875 without examination "as the intimate knowledge possessed by Mr Halliday of him was deemed a sufficient guarantee that he was a fit and proper person" (Minute Book, p.153). J R Barratt was admitted an Associate in April 1876 on the condition that he be *subsequently* examined by the President and Vice President (Minute Book, p.177). In June 1876 it was resolved that all examinations be conducted in writing and the answers placed before the Council (Minute Book, p.188). However, from 1877 the minutes suggest that Associates were simply admitted following a ballot (Minute Book, pp.223, 226, 260, 270-271).

In its attempts to advance professional knowledge the Manchester Institute also launched an essay competition. This proved to be an embarrassing failure. At the end of his lecture on 'The Best Means of Making the Institute Useful' in October 1871 David Chadwick offered to make available prize money of 50 guineas for essays on 'the duties of the accountant' (Minute Book, p.29). One year later a Committee of the Institute determined to increase the prize fund to 100 guineas on the grounds that this would be an appropriate use of excess funds and informative treatises might be encouraged. Prizes of 50, 30 and 20 guineas were offered for the best essays on 'the professional duties of accountants' (Minute Book, pp. 48-49). The competition being open, advertisements were placed in the newspapers of eleven major cities and the secretaries of the accountancy bodies were requested to publicise notices and distribute circulars (Minute Book, p.54). Despite these efforts, at the closing date of 31 March 1873, only two

essays had been entered. One of the adjudicators was the President of the Institute of Accountants, William Quilter. He considered that one of the submissions was “quite inadmissible” and the other, being substantially a description of double entry bookkeeping, was “certainly not such as I should like to see published as a Prize Essay” (Minute Book, pp.63, 76-77). No prizes were awarded (Minute Book, p.106) and in July 1880 David Chadwick requested the return of his 50 guineas (p.325).

The Manchester Institute of Accountants also suffered periodic accommodation problems which frustrated its attempts to provide a learning environment - a reference library - for the members. Following a search from May 1871, during which its meetings were variously held in the board room of Chadwick Adamson Collier & Co, the Town Hall and the Queens Hotel, the Institute found suitable rooms for rent in Stanley Chambers, Cross Street on Christmas Day 1873. £100 was set aside for stocking a reference library (Minute Book, pp.85, 87). However, by 1875 and 1876 there were suggestions that members were making limited use of this facility (Minute Book, pp.148, 174). In August 1878 the Institute was required to vacate its two rooms in Stanley Chambers (Minute Book, p.254) and thereafter meetings were conducted in a member's offices and in hotels. The Institute's furniture was placed in storage and the library retained in the office of the Secretary.

Disappointment at limited progress was often expressed in the minutes of the Institute. In its report to the annual meeting in April 1873 the Council expressed “their regret that the results attained have fallen short of their anticipations” (Minute Book, p.64). This melancholia was partly attributable to the unsuccessful attempt in 1872 to form a national institute, as discussed in chapter three. After 1872 coverage of the activities of the Manchester Institute in the local press became infrequent, journalists were no doubt both irritated and enlightened when invited to report on meetings subsequently postponed due to

poor attendance. The failure to find suitable accommodation and the lamentable number of submissions to the prize essay competition also contributed to the depressive air. In response the Council determined to "pursue their own way with all possible vigour" (Minute Book, p.64). However, by October 1873 the Institute remained concerned about its 'usefulness' and appeared to recognise the limitations of its status as a provincial organisation. It was out of this anxiety that a committee was established to communicate with the Liverpool Society over the possibility of forming an Institute for the North and Midland counties (Minute Book, p.82). The conduct of important business, such as rule changes and the admission of members, was often frustrated due to Council and general meetings being inquorate. Neither was it long before a significant number of members failed to pay their subscriptions and threats of expulsion were made. In 1875 the abandonment of a summer picnic for the members was more the result of lack of interest than inclement weather (Minute Book, pp.145, 147).

In 1876, however, there were indications of a new-found confidence at the Manchester Institute. The Council noted that the interest of members had "revived a little" and that the "value of the Association is, it is believed, becoming more generally appreciated" (Minute Book, pp.173-174). Subsequently, as the threat of bankruptcy reform loomed and the office bearers became immersed in this question of direct import to the rank and file, the members appeared more engaged with the organisation formed to protect their interests.

The Institute of Accountants (in London)

During the heady days of its formation the future of the Institute of Accountants in London looked bright. At a general meeting in April 1871 President Quilter referred to "the lively interest in the success of the Institute which the Accountants of London have manifested". Quilter spoke of his hopes that the new organisation

would be “permanent and progressive” (MS28404, p.8). Similarly, in its report to the first annual meeting in January 1872 the Council of the Institute expressed satisfaction at the “excellent Spirit” attending formation and reported that attention hitherto had focused heavily on processing applications for admission (MS28404, p.16). Having collected £3,307.10s in entrance fees in 1871 and investing £2,602.5s in 5% Guaranteed Stock of the Great Eastern Railway Company, the Institute could boast a sound financial base for embarking on a longer term professional project (MS28404, pp.17-19). Membership statistics, however, suggest stasis once organisation had taken place.

Table 7.1 *Membership of the Institute of Accountants (in London), 1871-1879*

	1871	1872	1873	1874	1875	1876	1877	1878	1879
Fellows	74	76	87	95	98	97	93	100	103
Associates	60	61	61	65	62	57	63	64	75
TOTAL	134	137	148	160	160	154	156	164	178

Sources: 1871 as reported at the annual meeting on 17.1.1872 (MS28404, p.16); 1872-1879 data is at 31 December, as disclosed in the Institute’s Ledger (MS28409).

The rules of admission to the Institute in London discouraged growth. The objective of admitting only public accountants in London of “standing and position” – those who could claim “unswerving rectitude” and “moral qualities” – was not conducive to rapid expansion (MS28408/1, p.2). Fellows were required to be experienced public practitioners in the metropolis, gain written recommendations from three existing fellows and pay entry fees of £31.10s. Associates were to be at least 21 years of age, have been in practice as a professional accountant in London for five consecutive years or a clerk to a member

of the Institute for five years, and pay fees of £15.15s (£26.5s after July 1871) (MS28407). The policy of admission on the basis of status, moral attributes, connections and personal knowledge of the applicant confined the pool of potential recruits. The Council was determined, however, that "the more strictly this principle is acted upon the more valuable will membership of the Institute become" (MS28404, p.32). As shown in chapter three the attempt in 1872 to render the Institute national in scope by opening the doors to suitably qualified country practitioners met with little success.

Critics of the London Institute's membership contrasted its stagnation with the expansion of the Society of Accountants in England. There were a variety of routes to associateship of the Society and shorter periods in practice or service were required. In particular, those who had practised as accountants "to a corporation or public body for three years" were also eligible for admission and entry fees were substantially lower than those of the Institute in London. Associates practising in London were to pay admission fees of £5.5s., those elsewhere paid £3.3s. The fee for entry to fellowship of the Society was £15.15s. There was also a third level of affiliation to the Society. A person aged 18 years, who was a pupil to a member and intended to pursue the profession could become a 'Student' on payment of £1.1s. (*Rules and Regulations*, 1875, pp.10-16; also *Rules and Regulations*, 1878).

During its early years the Society of Accountants proudly announced the data of its increasing membership. At the spring annual meetings the reports of Council referred to 101 members in 1872, 170 in 1873, 181 in 1874 and 201 in 1875. Thereafter, the growth of the Society was less marked. As the rate of advance slowed the Council limited announcements to the number of admissions as opposed to total membership (21 reported at the annual meeting in 1876, 22 in 1877, 50 in 1878). There was no disclosure of losses from death, exclusion or resignation in these years. At the annual meeting of 1879, by which time inter-professional politics dictated that size relative

to the Institute of Accountants was more important than illustrating organic growth, reference was made to a Society membership in excess of 250. A published list dated 1 January 1879 names 19 Fellows, 239 Associates and 3 Students (*The Society of Accountants in England*, 1879). Although by the late 1870s the Society considered itself to be in a “flourishing condition” there is some evidence that the rank and file were complaining about the limited personal benefits accruing from membership (*Accountant*, 11.5.1878, pp.5-6).

Once it had completed the initial organisation of accountants in the metropolis the Institute of Accountants in London made limited progress towards erecting other structures associated with a professional organisation. Establishing systems for the transmission and testing of knowledge and the pursuit of the interests of members were not prioritised. The annual report for 1871 suggested that once admissions had been dealt with the Council would turn its attention to achieving such objectives. Despite these good intentions there was little evidence of a progressive spirit once the initial flourish of organisation had passed. In early 1872 Thomas A Welton, the Secretary of the Institute, was already suggesting waning enthusiasm among the Council and passivity in the work of the organisation (MS28408/1, pp.138-139). Subsequently, he found it necessary on several occasions to encourage apathetic Council members to attend general and council meetings (MS28408/1, p.190; MS28408/2, p.30; MS28408/2, p.56; MS28408/2, p.70; MS28408/2, p.79).

By 1874 the Secretary of the Institute was receiving letters from members complaining about the limited progress of the organisation. Serious attempts were made by certain rank and file members to infuse the Council with new blood. When Thomas Dence of London resigned from the Institute in July 1874 on ceasing to practice as a public accountant, his letter of resignation contained the following request: “Having never, during my membership received the slightest benefit from the Institute, will you inform me whether the Entrance Fee of

£15.5.0. will be returned to me (as I think it ought)" (MS28405/1, p.162). Such comments reflected organisational ineffectiveness on several fronts.

Protecting the members

The stated objectives of the Institute of Accountants in London included giving expression to the opinions of members "upon all questions incident to their profession" (MS28407, p.1). For President Quilter, however, the vigorous advancement of the pecuniary interests of the members was anathema to the Institute's mission and its persona as an elite organisation of moralistic, independent practitioners (MS28404, p.9). His approach was redolent of contemporary leaders of the Law Society who often shied from the pursuit of base concerns such as threats to the jurisdiction of solicitors and perceived that practitioners who demonstrated their usefulness and honourable conduct would ultimately be blessed with clientele (*Law Times*, 28.8.1875, p.309).

Hence, when, from July 1871, issues relating to practice began to feature in Council discussions, this was usually in response to a request from a rank and file member of the Institute. Such suggestions were not met with enthusiasm by the Council. A proposal that a committee be established to investigate a more equitable method of remunerating official liquidators was shelved (MS28405/1, p.54). In October 1871 a member suggested that a discussion of the workings of the Bankruptcy Act should be scheduled for the next general meeting and the members surveyed on the subject. This received a lukewarm response from the Council (MS28405/1, p.59). A committee on the scale of remuneration of liquidators was convened in July 1872 but only to resolve that no action should be taken (MS28406, pp.23, 27). Calls in 1874 for the development of standards of professional charges for members of the Institute did not excite the Council (MS28404, pp.44-45).

One exception to the Institute's initial disdain for lobbying on matters of work occurred in April 1873 when the Council agreed to write to the Lord Chancellor to urge that his High Court Judicature Bill include a provision that accountants appointed as Referees should be members of the Institute (MS28405/1, p.114). However, the records of the Institute reveal that the Council was not always aware of potential legislative threats to its Fellows and Associates. It was not until a member drew attention to certain provisions in the Legal Practitioners Bill, 1874, which was advanced by the Legal Practitioners Society, that there was any cognisance of the menace posed by this measure to accountants (*Law Times*, 21.11.1874, p.52). The member was requested to supply the Council with copies of the offending legislation. The Secretary assured him that Council would pursue the matter if "the clauses are so sweeping as to threaten to interfere with respectable people" (MS28408/2, pp.23-26). More in keeping with the Institute's stance on matters impacting on the pecuniary interests of members was its deliberations on a scale of fees for auditors appointed under the Friendly Societies Act, 1875. This followed a specific request from Treasury commissioners that the Institute express an opinion on the subject (MS28405/1, pp.206-217; MS28404, p.59).

Responses by the Institute of Accountants on matters affecting the interests of the profession also tended to be reactive to requests by the Society of Accountants for united responses to perceived threats. Indeed, there was some truth in the Society's claim that it was the only organisation which strived for the advancement of the profession as a whole (*Accountant*, 11.5.1878, p.5). As we have seen, this was especially the case in 1874 and 1875 concerning reactions to adverse public comments about trustees' charges and the absence of a professional accountant on the Lord Chancellor's Committee on the Bankruptcy Act. In these episodes the Institute assumed a passive stance. Similarly, the Council of the Institute stood aloof from the negativity surrounding the comments of Mr Justice Quain in 1875 (MS28405/1, p.201). The

Council argued that the trustee who had excited the attention of the judge was not a member of the Institute and relations between the judiciary and the profession were not antagonistic (MS28404, p.60). Therefore, no action was necessary.

Advancing professional knowledge

A key component of a profession's ability to capture areas of work is the development of systems of professional knowledge (Abbott, 1988, pp.52-56, 102-108). Knowledge abstraction enables a profession to devise solutions to emerging problems and, in the competition for work, claim that its members should perform tasks on the basis of unique expertise. Conversely, a profession which gives limited attention to the advance of expert knowledge in its field is not well equipped to protect and legitimate market dominance (Abbott, 1988, pp.103-104).

The office bearers of the Institute of Accountants made little effort to advance the knowledge base of the profession. Soon after its formation, the Council established a committee to search for suitable rooms in which the business of the Institute could be conducted, establish a reference library for the members and render visible the existence of the new professional organisation (MS28405/1, pp.7-8). Two first floor rooms were duly rented at 30 Moorgate Street from February 1871 (MS28408/1, p.24). Once the Council had completed its close scrutiny of applications for admission to the new Institute, it also invited suggestions from members on "the giving of lectures, the reading of Papers, the offering of Prizes and the formation of a Library" (MS28404, p.16).

This initial enthusiasm was short lived and it was not long before complaints were received about limited progress. On receiving the annual report for 1871 one member protested that few books had been purchased for the library. He also complained, "I hope your expectation of enlarging the scope of the Society will be carried out for it has always

appeared to me that we are a little too exclusive” (MS28405/1, p.78). Questions were also raised at a general meeting in April 1872 about the ‘Library of Reference’ (MS28404, p.21). The Secretary conceded “We are forming a library but as yet it is hardly in existence” (MS28408/1, p.166). The Secretary of the Library Committee subsequently made incremental purchases of books (MS28406, p.28). In January 1874 a member suggested that it would be useful to members if the Institute would start a collection of published company accounts as there was currently no single repository of these. Rather than actively pursue this idea the Council meekly agreed to receive any annual accounts that were sent in (MS28405/1, p.144). In November 1875 a member from Birmingham complained that he had found no books on annuities in the library (MS28405/1, p.208). During 1875 only £4.8s. was spent on book purchases.

Prize essays, lectures and publicity

The Institute of Accountants also made limited progress towards establishing competitions for prize essays and lectures on subjects of interest to members. Although the Secretary had donated 30 guineas for prize essays on specified subjects (MS28404, p.17), no competition was announced. In August 1872 the Secretary indicated that these desirable objectives might be pursued by the Council “one day” (MS28408/1, p.166). In October 1872 the Secretary informed Vice-President Turquand that the Manchester Institute were offering generous prizes of 30, 40 and 50 guineas in an essay competition. Secretary Welton noted ruefully that “possibly the Council may now feel inclined to issue the regulations for our little competition” (MS28408/1, p.173). When the Society of Accountants launched a competition for the best essay on auditing by student accountants in early 1876 one member, C F Kemp, commented that in stark contrast to the Institute “the ‘opposition’ is alive!” (MS28405/1, p.221; *Accountant*, 22.1.1876).

On 10 March 1874 the Council discussed a letter from S D Nix of London calling for action to incorporate the Institute or register the profession. Nix concluded "I make this suggestion as I know that many members think that we are not in our proceedings as a body brought sufficiently before the Public. Can you tell me why the promised lectures have not yet been arranged" (MS28405/1, p.147). In response the Secretary suggested that Nix might prepare the lectures himself. This encouraged an incensed retort (MS28408/1, p.240): "I beg to say that I, for one, had no idea when I became a member of the Institute that I was about to join a Private Society and that I have neither the leisure nor the ability to deliver lectures" (MS28405/1, p.150).

The Council's response to such complaints of low profile was to ensure that copies of its rules and list of members were published in the London newspapers and distributed to Clerks in Chancery, the Court of Bankruptcy, chambers of commerce and the leading banks (MS28405/1, p.167). An early request had been made to the editor of the London Post Office Directory to distinguish members of the Institute from those accountants excluded from it (MS28408/1, p.89). Beyond that the Council, comprising men from the leading successful firms, seemed content with the Institute's comparative anonymity. When *The Accountants' Diary and Directory* first appeared in 1875 its compiler was not a member of the Institute but Alfred C Harper, Secretary of the Society of Accountants. During the early and mid-1870s the Institute of Accountants also shunned the press. It was shown in chapter five that certain law journals seemed unaware of its existence at all in spring 1872. As the Secretary related in November 1874 it was the Council's practice to abstain "from advertising the Institute unless some necessary intimation demands that kind of publicity" (MS28408/2, p.35). In December 1874 an Institute dinner took place at the Albion Hotel, London at the members' expense (MS28405/1, p.137). This poorly attended event (MS28408/2, p.39; MS28405/1, p.167; MS28404, p.51; MS28408/2, p.43) was reported in the *London*

Standard. The Secretary was anxious to point out that press coverage had not been intended by the Institute, it being decided not to invite journalists to the dinner (MS28408/2, p.46).

Neither was there enthusiasm for overt displays of credentialism. In January 1874 a Newcastle member suggested that the members should receive a diploma to hang in their offices as was the practice in other professions. Such certification would ensure that “all who visit you on business could see your rank in your profession” (MS28405/1, p.147). The Council considered that a letter of membership was sufficient testimony to the reputation of its members (MS28408/1, p.243).

The Institute was also initially reluctant to advertise its presence in *The Accountant* and thereby increase its profile and contribute to the revenue of a journal which sought to advance the interests of the profession (MS28405/1, pp.187, 195–197). The result of this was that the gatherings of the Society of Accountants achieved greater visibility in the professional and general media. In March 1872 the Society had announced its intention to launch a journal. The close association between Alfred C Harper and Alfred Gee, founder of the journal, contributed to *The Accountant* being perceived as the mouthpiece of the Society of Accountants (*Accountant*, 6.12.1930, p.768). The Institute also desisted from responding to adverse comments in the newspapers on important issues such as excessive charges by trustees (MS28405/1, pp.171, 173, 231). Individual members, such as C F Kemp, periodically alerted the Council to such comments and urged that “something be done about this” (MS28405/1, p.231). The Secretary responded that the Council was determined “not to enter into a controversy in the columns of a newspaper” (MS28408/2, p.111).

Examinations

As soon as the Institute of Accountants in London announced itself to the media in December 1870 the criticism was raised that

it paid too little attention to the subject of education and training. David Chadwick objected that the most disappointing characteristic of the Institute was the lack of provision for entry based on educational attainment as opposed to practical experience: "Unless the accountants of England declare a high and unimpeachable education to be with them a *sine qua non*, this business will never deserve the title of 'Profession'" (*Law Times*, 31.12.1870, p.166). The early rules of the Institute did provide that the admission of associates, if not fellows, was dependent on passing examinations in bookkeeping and accounts, mercantile and bankruptcy law, the duties of auditors and the practical working of bankruptcies and liquidations (MS28407, p.3). At first the Institute expressed interest in establishing examination structures for the rigorous testing of the knowledge of potential associates. In March 1871 the Secretary requested copies of the syllabuses of the chartered bodies in Edinburgh and Glasgow and sought advice on examination processes (MS28408/1, p.33).

Thereafter, there was retreat from the development of syllabi and formal, written examinations. On 21 March 1871 the Council of the Institute determined that applicants for admission as associates would be exempt from examination if the individual was in partnership with fellows or other accountants "of established reputation" (MS28405/1, p.13). The Institute examinations which did take place were conducted *viva voce* by a Committee of Examiners. Those admitted as associates usually being found to be a "fit and proper person to be admitted" or "sufficiently qualified" (MS28406, pp.11-22). As the Secretary put it in December 1870, "It is not ... in contemplation that mere ability should give competitors the right to become members: experience and character will likewise be considered" (MS28408/1, p.6). The emphasis on tests of character lessened the urgency to formulate curricula and written examinations on professional knowledge.

In April 1873 the Secretary conceded that the examinations continued to be oral and that "no particular works have been referred

to” (MS28408/1, p.191). In late September 1875 he indicated that no progress had been made towards a more rigorous examination system, adding: “No regular system of examinations has yet been introduced, the candidates who have presented themselves being generally such, that the Council could easily form an opinion as to their fitness or otherwise. But such a system must undoubtedly be established before long” (MS28408/2, pp.83–84). On 5 October 1875 G E Swithinbank of Newcastle, having communicated with the chartered organisations in Scotland, urged the Council to discuss “the proper examination of students seeking admission as associates” (MS28405/1, p.202). However, no further development of a more rigorous examination regime took place. In December 1877 the Secretary continued to report that the examinations of potential associates were conducted orally, were general in scope and that candidates were questioned as the Council thought fit about their experience and qualifications (MS28408/2, p.237; MS28408/3, pp.152, 271, 336). In October 1879 he conceded that the examination “is dispensed with in many cases” (MS28408/3, p.343). This was in stark contrast to the Society of Accountants in England which, from January 1878, required that those admitted as Associates pass examinations over five hours on a variety of professional subjects (*Rules and Regulations*, 1875, pp.11, 22). Students of the Society were also obliged to pass examinations in English, Mathematics, Latin and French (*Accountant*, 30.3.1878, p.5; 11.5.1878, p.5; *Times*, 6.6.1879, p.8).

Challenging the institutionalised elite

From a relatively early stage the more radical members of the Institute of Accountants attempted to shake the organisation from its lethargy. Power had become institutionalised since 1870 in a perpetuating elite. Rule changes were sought to challenge the leadership. The composition of the Council was a particular bone of

contention. The rules provided that each year four of the twelve-man Council would retire. However, the members rotated-off were eligible for immediate re-election. Taking advantage of this provision, the first Council appointed in November 1870, on which the firms of Quilter Ball & Co, Harding, Whinney & Gibbons, and Turquand Youngs & Co, each had two members, continued in office year after year. From 1870 to 1876 the composition of the governing elite was only disrupted by a death and the addition of four provincial members in 1874 whose location in Liverpool, Bradford, Birmingham and Newcastle was not always conducive to frequent attendance at meetings in London. Neither was there any rotation of the Presidency and Vice Presidency. These offices, appointed by the Council, were occupied from 1870 by William Quilter and William Turquand respectively, the senior partners of the leading accountancy firms. The Secretary of the Institute was Thomas A Welton, also of Quilter Ball & Co.

As early as July 1872 one member, James Waddell, unsuccessfully moved at a special general meeting that the four retiring members of the Council should not be re-elected until a year had elapsed. Waddell also argued that the Council should be elected by ballot (MS28404, pp.23-24). In March 1874 another member, John Paterson, also sought the prevention of rotated-out Council members being immediately re-elected. Paterson contended that such alteration of the rules was widely supported by the members. He threatened to present a signed requisition if the Council failed to place the proposal on the agenda for the next general meeting (MS28405/1, p.151; MS28408/2, p.1).

More concerted action ensued in advance of the annual general meeting of 1876. On 22 April 1876 a highly critical letter was published in *The Accountant*. Its author, a member of the Institute, stated that his intention was to bring before the members "the small amount of progress that has been made towards the attainment of the objects for which that body was ostensibly established" (pp.4-5). He urged less apathy from the members, complained that the benefits accruing from

high entrance fees and subscriptions were minimal and suggested the existence of generational discord in the Institute:

It may be a matter of indifference to those who have reached the highest pinnacle possible in their profession, and who have acquired almost princely fortunes, whether progress is made or not ... [but] for the younger and less prominent members of the Institute it is a matter of serious importance that their hard-earned funds should not be either dissipated in unprofitable office expenses or left to accumulate in snug investments; but that those funds should be wisely expended in the promotion of those objects for which they were originally invited and subscribed (Accountant, 22.4.1876, pp.4-5).

The correspondent argued that accumulated funds should be used to acquire a building and provide an adequate library. The Institute should compose a syllabus of examinations, issue textbooks to all members and establish a programme of lectures and papers. Earlier in April 1876 David Chadwick made similar suggestions at the annual meeting of the Manchester Institute (*Accountant*, 8.4.1876, pp.5-6). *The Accountant* responded to the critical letter by noting that the limited advance of the Institute of Accountants was due more to “the indefiniteness of the programme than to any lack either of ability or desire to carry it out” (22.4.1876, p.2).

The annual meeting of the Institute on 26 April 1876 was a disappointment to the more progressive members. *The Accountant* noted “The discussion of the various questions raised, showed a tendency to become desultory; and the resolutions finally passed are of a nature rather to inspire hope for the future than any special satisfaction in the present” (29.4.1876, p.2). In May *The Accountant* contrasted the “eminently satisfactory” progress of the Society of Accountants with unnamed organisations which commence with a ‘flourish of trumpets’ but subsequently stagnate (13.5.1876, p.2; 20.5.1876, p.2). In fact a proposal was made by the Council of the Institute which

incensed those seeking change, one which offered the prospect of a consolidation of power in existing hands and the further entrenchment of inactivity. In February 1876 Thomas A Welton resigned as Secretary of the Institute on being admitted a partner of Quilter Ball & Co. (MS28405/1, p.224). Welton was elected a Fellow of the Institute the following month and his name was now put forward as an additional member of Council on the grounds that his presence on the governing body would "promote the interests of the Institute" (MS28404, p.67; MS28405/1, p.225). Welton's appointment would mean that three of the seventeen members of Council would emanate from Quilter Ball & Co, the firm in which the President was the senior partner. Discontented members argued at the annual meeting that "there were many [other] large and respectable firms who might beneficially be represented on the Council" (*Accountant*, 29.4.1876, p.6). The meeting was adjourned until June 1876.

Immediately following the annual meeting Welton reported to Council members, some of whom had been absent in April, that "a strong desire was manifested that some further names should be added to the Council" (MS28408/2, p.124). In May 1876 John Paterson and Alfred H Potter nominated Arthur Cooper, Edward Hart, James Waddell and Charles Chatteris for election to the Council (MS28405/1, pp.232-235). Having consulted the Institute's solicitor the Council responded that while it did not intend to impede discussion of the issue it was not competent under the rules to elect four additional members of Council at an adjourned general meeting (MS28405/1, p.234). A requisition signed by 26 members of the Institute, dated 31 May, was submitted to the Council by Frederick Whinney. This called for a special meeting to vote on an increase of the Council from sixteen to twenty members (MS28405/1, pp.239-240). The Council reiterated its view that this could only be ratified at an annual general meeting and therefore the issue would be deferred until spring 1877 (MS28404, pp.63-64; MS28408/2, p.143). When the adjourned meeting took place

on 1 June 1876, the composition of the Council aroused “considerable discussion”. Nevertheless, the four retiring members of the Council were re-elected as was outgoing Secretary Welton.

The adjourned general meeting of June 1876 was also a setback for the progressive members of the Institute in another respect. Frederick Whinney and Arthur Cooper, who incidentally, had been a clerk in Quilter Ball & Co, proposed resolutions on accountants’ charges and the rate for work conducted in the Court of Chancery (MS28404, pp.61–62, 65). The Council declared that attempts to determine a minimum rate of charge was inexpedient (MS28404, p.67). This venturing into issues of remuneration was alien to the old guard, especially those from Quilter Ball & Co who reputedly played a significant role in organising the Institute in 1870–1871 (*A History of Cooper Brothers & Co*, 1954, p.5). John Ball “animadverted severely upon the course the discussion was taking. The Institute had originated in the first instance in the desire which some of what had been termed ‘the fathers of the profession’ had felt to raise the status and aims of professional accountants; but at the present they seemed to talk of nothing but ‘charges’” (*Accountant*, 3.6.1876, p.6). In a revealing statement about Institute governance it was also reported that “Mr Price strongly protested against the idea that the Council would, in opposition to their own judgement, do whatever the members requested” (*Accountant*, 3.6.1876, p.6). Both resolutions were lost. However, on 15 June 1876 Whinney and Cooper were invited to attend an Institute committee to examine ‘sundry matters’. As reported in chapter six, Whinney was appointed chair of a committee to examine the reports of the Lord Chancellor’s Committee and the Comptroller, and the Bankruptcy Bill (MS28406, pp.35–40).

The pressure on the Council was maintained at the half-yearly general meeting on 25 October 1876. The appearance of the Lord Chancellor’s Bankruptcy Bill and “the attack upon accountants by which it had been heralded”, especially in the Comptroller’s Supplemental Report (*Accountant*, 28.10.1876, p.6), presented an

additional reason for a more proactive approach by the leadership of the Institute. John Paterson argued that the Comptroller's Report "contained several statements which ought not to be allowed to pass unchallenged. He thought that the Institute ought to do something to justify its existence. Here was an opportunity for it to benefit both its members and the public by giving a careful consideration of the Bill" (*Accountant*, 28.10.1876, p.6).

Through early 1877, when the threat of Bankruptcy legislation again loomed, *The Accountant* continued to emphasise the lethargy of the Institute. It contrasted the "zeal for progress" of the Manchester Institute, especially in relation to bankruptcy reform, with the "inactivity of some London Societies of which complaint has frequently been made" (27.1.1877, p.5). A special general meeting on 31 January 1877, convened primarily to exclude an absconding member from the roll, provided another opportunity for *The Accountant* to alert the Institute to "new forces" which demanded progress towards the advancement of the profession. In the context of a profession subject to "external assaults" leadership by an organisation wracked by internal discord was unendurable (*Accountant*, 24.2.1877, pp.3-4). *The Accountant* later alluded to "the spirit and evidence of progress" in the work of the Society of Accountants compared to those organisations recruited from "a small collection of notables in a half-fossilised condition" (12.5.1877, p.4).

This public pressure on the Institute proved encouraging to reformist members preparing for another challenge to the institutionalised elite at the annual general meeting of 1877. They were also likely to have been buoyed by another development. At a Council meeting on 11 January 1877 William Quilter, whose leadership appears to have been less diligent than suggested by some authorities (Howitt, 1966, p.8), announced his resignation as President. As a biographer of Quilter has stated "The continued failure to obtain a charter and the establishment of a rival national body led to growing disquiet among

the membership about the Institute's performance, and, by implication, of Quilter's leadership" (Bywater, 1985, p.794). Quilter explained that "from advancing years and for various reasons he had found himself unable to give much time to the business of the Institute" (MS28405/1, p.272). Indeed, his attendance at general meetings in particular, had been very poor. Perhaps most importantly, nothing appears to have come of the opportunity presented to Quilter in 1874 to discuss the status of public accountants with the Comptroller in Bankruptcy and Nicol of the Treasury. On 13 February 1877 William Turquand was elected President of the Institute and John Ball became Vice President (MS28405/1, p.273). Quilter remained on the Council for the time being.

Ernest Cooper's letter and memorandum

During 1876 the Institute of Accountants had begun a search for "more suitable premises" (MS28408/2, p.109). In April 1877 Ernest Cooper (see Jones, 1984a), who was admitted a Fellow on 20 November 1876, wrote to the Secretary asking for membership statistics and information about the use made of the current rooms of the Institute. In reply Cooper was informed that "Since I have been Secretary, I have not had many such Visitors" (MS28408/2, p.184). On 8 May 1877 Cooper responded with a stinging and wide ranging critique which made unwelcome reading for the Council of the Institute. His letter and memorandum are reproduced in Appendix B.

Having noted that membership of the Institute had increased by only 20 from 1871 to 1876 Cooper offered some remarks on this unsatisfactory state of affairs. Cooper observed that the Institute was slow in responding to the opposition which had arisen as a result of its exclusivity in 1871 and 1872. In contrast, the Society of Accountants had grown to 220 members, the Manchester Institute to 58 and the Edinburgh Society to over 120. He attributed the relative decline of

the Institute to its inactivity. Substantial funds had been accumulated from fees and subscriptions. At 31 December 1876 the Institute had investments and cash of £5,661. However, the members, particularly those embarking on their careers, received little in return. Rather than taking temporary rooms on the second floor of 57 Moorgate Street as the Council proposed, Cooper argued that the funds of the Institute should be employed to occupy imposing, central premises with ground floor access, sufficiently commodious to enhance the prestige of the profession and provide meeting rooms, a well stocked library and educational facilities for the members.

Cooper referred to the "exceptional advantages" offered to the profession by the Bankruptcy Act, 1869 and the fact that the Institute had failed to respond to the suggestions by politicians when the Act was passed that a profession akin to that established in Scotland might emerge south of the border. Now that bankruptcy reform was once more on the agenda the Institute should make itself worthy of recognition under statute. Cooper asked "Can it be doubted that if the Institute after the Scotch System was introduced here had been actively engaged during the past seven years in ascertaining who are the respectable accountants and inducing them to join the Institute that the profession would have assumed a much higher position in relation to the contemplated Bankruptcy reform?" He concluded that the views he had expressed reflected those of "the great majority of the Members of the Institute" (MS28405/1, pp.306-310).

It is reported in *A History of Cooper Brothers & Co.* that "In his reminiscences Ernest Cooper modestly says that he has no reason to believe that his criticism had anything to do with the result [of gaining a royal charter], but as Arthur Cooper had been a Member of the Council of the Institute of Accountants since 1876, it is probable that the concerted efforts of these two brothers played a not inconsiderable part in the formation of the Institute as we know it today" (1954, p.6). There was certainly some movement in response to Cooper's

memorandum. At the annual meeting on 25 April 1877 the Council was increased to 20 members (MS28404, p. 81). Larger offices were taken on the ground floor of 3 Copthall Buildings, as opposed to 57 Moorgate Street, and a committee was remitted to furnish them (MS28405/1, pp.315, 318). This committee purchased carpets, gas chandeliers, a bookcase, library tables and wash stands (MS28406, p.48). In June 1877 the Secretary of the Institute wrote to the secretaries of the organisations of chartered accountants in Scotland requesting copies of their rules. In addition:

If you could also give me any information regarding any arrangements you may have made to render your Institute of practical use to the general body of members I should set great value on it. We have at present found considerable difficulty in getting the members of the Institute to take any active interest in it, and also in putting forward to the profession generally any special advantage to be gained by membership of the Institute excepting the status which it confers (MS28408/2, p.203).

The Council of the Institute also appointed a committee to purchase books for the library and certain members were asked to suggest titles (MS28405/1, p.312; MS28404, p.90; MS28408/2, p.222). The secretaries of public companies were requested to supply copies of annual accounts (MS28404, pp.107-108). In October 1877 the members were urged to make use of the library and reading room (MS28408/2, p.229). Previous critics such as S D Nix wrote favourably about the new facilities for members (MS28405/1, p.342). Others praised the library and urged further progress towards attracting an influx of young members to the Institute (MS28405/1, p.343). Within a few weeks of Cooper's letter William Quilter had also resigned from the Council of the Institute and determined to cease as a member in three months (MS28405/1, pp.315-317). The Council expressed regret and requested that he reconsider the question of his membership

(MS28408/2, p.204). A disgruntled Quilter was unmoved (MS28405/1, pp.318-319).

A new proactivism and receptivity to change

The Institute of Accountants was re-energised following the departure of Quilter, the acquisition of new offices, and the inclusion of progressive members on the augmented Council. At the annual general meeting on 25 April 1877, E Hart, J J Saffery and F Whinney were elected (MS28404, p.81). Jones (1981, p.68) has claimed that "When Frederick Whinney was elected to the London Institute's Council in 1877, a more forceful policy developed to parry the challenge offered by the Society of Accountants in England" (also Jones, 1986, p.767). As already shown, Whinney was actually playing a leading role before his election to the Council by developing Institute responses to the proposed bankruptcy law reforms. His presence on Council was significant because he now pursued organisational responses to this threat.

In late 1877 and early 1878 the enlarged and energised Council considered many rule changes. These related to a partial relaxation of the stringent conditions for admission, the conduct of examinations and "a considerable reduction of entry fees" (MS28405/1, pp.358, 361; MS28408/2, p.230). The Secretary also indicated that a formal examination system was likely to be instituted (MS28408/2, p.237). Another member suggested, and the Council agreed, that the Institute establish a Register of Clerks and thereby respond to the criticism that the organisation had been of "no practical use to the members" (MS28405/1, p.380; MS28404, p.108). He also reiterated the continuing need for the Council to be refreshed by the appointment of young members and the facilitation of a channel for upward mobility, "a flow of promotion – from Associate to Fellow – from Fellow to Council" (MS28405/1, p.382).

A more proactive stance also characterised consideration of developments which impacted on the pecuniary prospects of members, such as bankruptcy legislation and the remuneration of liquidators. As Howitt observed, there was a “new spirit” which was reflected in a different approach to “matters of first importance to the profession” (1966, p.15). This was demonstrated during the proceedings of the Select Committee on the Companies Acts in June 1877 which had been carefully watched by the Council. The Secretary of the Institute had attended to hear evidence and made notes on matters of interest to the profession. Three members of the Institute gave evidence (following an invitation by David Chadwick, a member of the Select Committee) and had been prepared to publicly discuss the remuneration of liquidators (MS28406, p.47). William Newmarch’s damaging assertions before the Select Committee that millions of pounds were at the personal disposal of liquidators encouraged the Institute of Accountants to respond and it did so with uncharacteristic expedition (MS28405/1, pp.321, 323, 327-328). An Institute Committee on the Companies Acts set about collecting evidence to refute Newmarch’s claims (MS28406, p.49). Fellows were asked as a matter of urgency to supply data on the monies belonging to companies held by their firms (MS28408/2, p.211). Within a few weeks, (24 July) President Turquand was able to write to Robert Lowe, the Chairman of the Select Committee, to show that in contrast to the supposed millions of undistributed assets in the hands of corporate liquidators, the survey of fellows revealed that on 30 June these amounted to only £66,487.18s.10d (Report, 1877, p.181; MS28408/2, p.216). As Frederick Whinney later commented this represented “a very small sum ... in the hands of accountants who are in the habit of winding-up a great number of companies” (*Accountant*, 27.4.1878, p.8). It was considered that following swift action by the Institute, the damaging allegations made before the Select Committee by Newmarch had been successfully countered. The Institute’s refutation was even included as an appendix to the Report of

the Select Committee (MS28404, pp.90, 102). Buoyed by its apparent success, in November 1877, an Institute committee was established to examine alterations in the mode of remunerating official liquidators, practically a taboo subject during Quilter's presidency (MS28405/1, p.340; MS28406, p.52).

In December 1877 the Secretary wrote letters to a potential member and an existing member who had not paid his subscriptions on grounds that the Institute had become stagnant. In his replies, Howgrave enthused about the library and reading room facilities, the Institute's determination to inform each member of any developments affecting the profession and the several matters of importance currently being considered by the Council. Specific reference was made to action in response to statements made before the Select Committee on the Companies Acts, and Institute committees examining the Bankruptcy Bill, the remuneration of official liquidators and alterations to the rules (MS28408/2, pp.236, 240).

The annual report of the Council of 1878 was also notably upbeat, referring to the acquisition of "more commodious premises", the library and reading room, contemplation of rule changes encompassing reduced fees, and consideration of bankruptcy legislation and official liquidators (*Accountant*, 27.4.1878, pp.7-8). *The Accountant* was unusually praising, observing that "The Institute of Accountants may justly look with satisfaction upon the year that has just closed, for it has been fruitful in no ordinary degree" (4.5.1878, p.3). It detected a more energetic policy. Certainly, discontent continued to be expressed in some quarters during 1878 about the apathetic membership and the desirability of a more representative Council (*Accountant*, 4.5.1878, p.5). However, the recent animation and receptivity to change also encouraged other members such as John Paterson to resurrect demands for the incorporation of the hitherto 'private' Institute (MS28405/1, pp.355-356). It also provided the context in which newly empowered and active councillors such as Frederick Whinney pressed the governing

body to confront the threats posed by bankruptcy reform and address the fundamental question of the organisation of the profession.

Summary

Once they had been established to address the expected consequences of the Bankruptcy Act, 1869 on insolvency work, the local organisations of professional accountants displayed varying degrees of activism and made limited progress. This was most obviously displayed in the low growth of membership; the partial pursuit of the interests of members; and little advance in implementing structures for developing, transmitting and testing professional knowledge. The lethargy of the leading body, the Institute of Accountants (in London) was particularly woeful, especially when compared with the initiatives of the Society of Accountants. The members of the Institute saw little in return for the high fees they paid. Until 1877 activity was constrained by the existence of an institutionalised office bearing elite which discouraged consideration of base issues such as professional remuneration. The Institute's office holders were passive in response to threats and shunned publicity at a time when the printed media, which was hostile to accountants, was a particularly important vehicle for persuading public opinion and the government of professional claims (Abbott, 1988, p.69). If the effectiveness of an organisation is measured by "its ability to create acceptable outcomes and actions" for those on whose support it depends (Pfeffer and Salancik, 1978, p.11), the Institute of Accountants was a disappointment to many of its members.

Challenges to the Council of the Institute of Accountants had been mounted since 1872. Discontent was freely expressed at annual meetings in spring 1876 but it proved constitutionally impossible to change the structure of the Council at that time. The appearance of the critical report by the Comptroller in Bankruptcy and the offensive

clauses in the Lord Chancellor's Bankruptcy Bill during the summer of 1876 not only re-energised the Manchester Institute but also encouraged the radical members of the London Institute to continue their efforts to alter the composition of the Council. In 1877 a 'new spirit' infused the Institute of Accountants following the resignation of William Quilter as President; a damning critique on the progress of the Institute by Ernest Cooper; new premises; the augmentation of the Council and the election of new members such as Frederick Whinney, a leading figure in the development of responses to the threat posed by bankruptcy reform. Greater receptivity to protecting the interests of members was revealed in the swift and successful response to allegations made before the Select Committee on the Companies Act that accountants were hoarding undistributed assets as corporate liquidators. The 'new spirit' at the Institute of Accountants also created an environment more favourable to revisiting the fundamental question of the organisation of the profession.

CHAPTER EIGHT

THE SHEFFIELD INSTITUTE OF ACCOUNTANTS, 1877

Following the establishment of the Liverpool Society of Accountants and the Institute of Accountants in London in 1870, the Manchester Institute of Accountants in 1871 and the Society of Accountants in 1872, no other organisations of accountants were formed in England until the leading accountants of Sheffield established an institute in 1877. This event represented a local manifestation of the pressures for organisational change which had been building through the 1870s in response to the defective working of the Bankruptcy Act, 1869 and its consequences for the status of professional accountants. Within a few months of the founding of the Sheffield Institute of Accountants the same factors encouraged action by the Institute of Accountants which culminated in the formation of a national organisation and the award of a Royal Charter.

Complaints about the working of the Bankruptcy Act, 1869, particularly the role of trustees, were the backdrop to professional organisation in Sheffield. Adverse public comment about touting and excessive trustees' remuneration was indiscriminately levelled against respectable and *soi-disant* accountants alike. In 1877 the manner in which bankruptcy practice was exploited by unscrupulous practitioners disturbed the leading accountancy practitioners in Sheffield. Hoe, the author of the centenary history of the Sheffield Institute, noted that although the principal accountants of Sheffield were substantially engaged in bankruptcy work, "probably a far more important reason for the formation of the Sheffield Institute of Accountants . . . was to

enhance the position and protect the status of the leading professional accountants in the area" (1977, p. 2). The following chapter illustrates how these two themes were inseparable.

***Soi-disant* accountants in Sheffield**

The professions and trades section of *White's General and Commercial Directory of Sheffield, Rotherham and District* for 1876 lists 95 persons and firms of 'accountants and auditors'. Of these, 22 practices contained at least one partner who was, or became, a member of a professional organisation in 1877 - the Society of Accountants in England (as indicated in *White's* itself or *The Accountants' Directory* (Harper, 1877)), the Institute of Accountants, or the Sheffield Institute. The remaining 73 entries in the directory represent those firms and sole practitioners who remained outside the organised accountancy profession at the end of 1877. By identifying these cases in the alphabetical and street sections of *White's* a deeper insight may be gained into the multiple occupations pursued by so-called 'accountants and auditors'.

The analysis shows that in only ten cases was the individual or firm listed as following the sole occupation of accountant. On average, the 73 practices of 'accountants and auditors' followed two other occupations, mostly as agents and collectors. In the case of one firm accountancy was offered as one of eight services. Table 8.1 reveals the poorly defined limits of accountancy practice in Sheffield during the mid-1870s, particularly among those who were outside the organised profession.

Table 8.1 Occupations in addition to 'Accountant' listed by 73 'Accountants and Auditors' in Sheffield and District who were not Members of a Professional Organisation, 1876-1877

Occupation	Frequency
Estate/Land/House Agent	35
Insurance Agent/Manager	30
Debt/Rent Collector	21
Share/Stock Broker	12
Auditor/Borough Auditor	11
Financial/Loan Agent	9
Commission Agent	6
Company/Building Society Secretary	5
Valuer	3
Liquidator/Trustee in Bankruptcy	3
Auctioneer	1
Brick Manufacturer	1
Clerk	1
Colliery Owner	1
Cutlery Manufacturer	1
Emigration Agent	1
Hotel Proprietor	1
Iron Agent	1
Manager Land Company	1
Oil Merchant	1
Registrar of Births, Marriages and Deaths	1
Sheriff Officer	1
Surveyor	1
TOTAL	148

The following advertisements, which are taken from *White's General and Commercial Directory of Sheffield, Rotherham, Barnsley, Chesterfield, and Worksop* (1871-1879), also illustrate the variety of services offered by

those in the Sheffield district who specifically mentioned bankruptcy and liquidation work during the 1870s and who were not members of a professional organisation:

Mycock & Turner

(Late J.H. Mycock)

Accountants, Auditors, Estate Agents, Valuers, &c, &c
Agents to the Liverpool & London & Globe Fire & Life; The Accident; and
The Norwich & London Plate Glass Insurance Companies
Tradesmen's Books periodically Posted and Audited according to arrangement
Agents for the Sale & Purchase of Property, by Private Contract
Liquidators & Trustees; & Receivers in Chancery
 Established 1850
 Liverpool & London Chambers, Masbrough, Rotherham

Henry P. Lister

Bankruptcy Accountant and Auditor,
Estate & Insurance Agent, Receiver and Trustee in Bankruptcy,
Collector of Rents, Debts, &c.
 Offices:- Temple Chambers, 15 Figtree Lane, Queen Street,
 Sheffield.
 N.B. Agent for the Sale and Purchase of Property by Private Treaty

J. Thompson Glossop

(17 Years with the late T.J. & R. Cocking)
Accountant, Estate Agent, Auditor; Receiver and Trustee in Bankruptcy
Agent to the Guardian Fire & Life Assurance Company,
London Guarantee & Accident Company Limited
Collector of Rents and Debts
 Offices:- 13 St James' Row, Sheffield
 N.B. – Mortgages and Loans arranged and Meetings attended on behalf of
 Creditors
 Secretary to the 'Sheffield Loan & Investment Company, Limited'

John Jacques

(Formerly Clerk for 13 years with the late Mr. T.G. Hamer,
Solicitor)

*Law Accountant and Liquidator,
Rent & Debt Collector, & Estate Agent
1 Regent Street, Barnsley
Agent to the Northern Assurance Company*

Joseph Clark

*Accountant & Estate Agent,
Trustee in Bankruptcy,
Agent to the Liverpool, London and Globe Fire & Life Insurance Co, and
The Planet Assurance Corporation, London, Ltd.
Policies Negotiated for Guarantee of Fidelity coupled with Life Insurance,
on the best terms
Secretary to the New Sheffield Music Hall Co. Ltd.
11 East Parade, High Street, Sheffield*

Bankruptcy revelations in the Sheffield press

The existence of an occupation bifurcated between respectable and *soi-disant* accountant-trustees was revealed in Sheffield when the press began to report on 'scandals' in local bankruptcy cases. On 15 February 1877 the *Sheffield Daily Telegraph* related the case of a trustee, an auctioneer in Plymouth, who had failed to file accounts. The article was headed 'Perils of Bankruptcy Trustees' (p.7). Shortly thereafter, on 28 February, a series of 'revelations' appeared in the local press concerning the case of a bankruptcy trustee in Sheffield who was an accountant (*Sheffield and Rotherham Independent*, p.3; *Sheffield Daily Telegraph*, p. 4).

On 9 February 1877 the creditors of George Perry & Sons, ale and porter merchants, Sheffield had met to fix the remuneration

of the trustee, Frederick E Leggoe, accountant and steel merchant. Joseph Brailsford, the Chairman of the Committee of Inspection took the chair. On the proposal of a friend of the bankrupt, it was resolved to award Leggoe £65 for his services. No other persons attended the meeting. Brailsford objected to this exorbitant level of remuneration. He complained that the trustee had been elected on the basis of proxies for which he had touted the creditors. Further, the case Leggoe administered was not complex. George Perry was in business for only four months and debts were estimated at only £600. Leggoe had been specifically remitted to pursue his task as trustee with vigour given suspicions that the debtor was concealing property. Although Leggoe seized a horse and a shop which was being fitted up for the bankrupt's son, he merely sold the assets of the estate to a friend of the bankrupt for £120. With great expedition he then called a meeting to fix his remuneration and discharge the bankrupt. Despite this less than exerting trusteeship Leggoe, through his proxies, now voted himself the whole residue of the estate after allowance for legal and other fees. When requested by Brailsford to disclose a bill of particulars to justify this remuneration, Leggoe refused. It was also revealed that Leggoe had signed the minutes of the meeting where his remuneration was determined, in place of the chairman, and omitted to record Brailsford's protests.

Brailsford argued that he "was not the party tamely to submit to the whole surplus of the bankrupt's estate being swept into the pocket of Mr. Leggoe". He therefore issued a circular to the creditors in which he urged them to withdraw their proxies. Brailsford also argued that the trustee should receive £10, thus leaving a surplus for distribution to the creditors, and contended that the case illustrated "the evil working of the present law of liquidation and bankruptcy" (*Sheffield Daily Telegraph*, 28.2.1877, p.4). Mr Leggoe arranged a special meeting of the creditors on 27 February 1877 to confirm his remuneration at £65. The creditors considered the charge excessive and Leggoe's

remuneration was reduced to £15 plus court taxes. Leggoe was also ordered by the court to submit a corrected copy of the minutes.

These 'bankruptcy revelations' excited further correspondence in the Sheffield media. A number of correspondents praised Brailsford's actions and also related other abuses of touting trustees. On 3 March 1877 (p.2) a letter to the editor of *The Sheffield and Rotherham Independent* reported the bankruptcy of Hawksley, James and Fretwell in which the trustee was awarded £155 plus incidental expenses out of an estate realised of £353. Furthermore, a balance of £26 had not been distributed and remained in the hands of the trustee. Canvassing for proxies was again identified as the defect in the law which allowed the trustee to vote himself disproportionate rewards at the expense of the apathetic and unknowing creditors. In the case of Hawksley, James and Fretwell it was complained that the meeting where the trustee's remuneration was fixed had been chaired by the individual who nominated the trustee as receiver. A creditor unexpectedly attended the creditors' meeting and, having insisted on examining the accounts, protested against any resolutions being passed given the level of charges on the estate. The creditor was informed that his objections were of no consequence as the trustee held sufficient proxies for the other creditors. The complainant later asked "Can realised assets be so swallowed up with trustees charges in the 19th century"? (*Sheffield Daily Telegraph*, 9.3.1877, p.3). Another correspondent, who had been a creditor in a number of cases, lamented that this state of affairs had long persisted and recommended the appointment of a single public official in place of creditor-elected trustees. This remedy would ensure that "the whole race of trustees were swept away; the commercial world would get a step higher in commercial morals, and thousands of poor creditors would bless the change" (*Sheffield and Rotherham Independent*, 6.3.1877, p.3).

Trustees in bankruptcy in Sheffield responded to this onslaught on their vocation. The trustee in the case of Hawksley, James and Fretwell

attempted to give a "true version" of the circumstances surrounding the award of his remuneration (*Sheffield Daily Telegraph*, 6.3.1877). The trustee was Cooper Corbidge, junior, accountant, partner in Camm and Corbidge, and member of the Society of Accountants in England. Camm and Corbidge were also the managers of the Sheffield branch of the Creditors Commercial Association. This organisation had offices in London and other provincial towns and offered services for its subscribers such as debt collection, attendance at creditors meetings and the provision of status reports on debtors (*Sheffield Daily Telegraph*, 18.9.1877, p.1). Corbidge argued that his recompense was high because it included commission relating to an estate connected with Hawksley, James and Fretwell in which there had been insufficient funds to pay him. Further, this action had been sanctioned by the county court (*Sheffield Daily Telegraph*, 10.3.1877, p.7; Hoe, 1977, p.6). Corbidge also asserted that undistributed funds arose in the case because of an ongoing dispute between the creditors. He asserted that he had nothing to hide. The audited accounts of the estate could be freely inspected at his office.

In a letter printed on 7 March 1877 (*Sheffield and Rotherham Independent*, p.4) another 'Trustee' sought to defend his profession. He argued that the evils complained of in bankruptcy administration were a symptom of apathetic creditors. The Bankruptcy Act, 1869 had vested creditors with powers of control over insolvent estates which they had failed to apply. The fault therefore lay with the creditors not the statute. If creditors desisted from granting proxies to dubious persons "the scandals, which respectable accountants (who refuse to tout) deplore ... would be avoided". Further, it was important that the public understood, "There are trustees and trustees, just as there are solicitors and solicitors, and also coal merchants and coal merchants". The notion that all trustees be swept away and replaced by an official would unfairly extinguish "the whole race of trustees" including those who were 'innocent' and upright.

Such responses did not abate the criticisms levelled in Sheffield against bankruptcy trustees. The palliative of officialism, insolvency administration by a public officer on a fixed salary, was again offered as a means of protecting the mercantile community from the abuses of trustees. One correspondent asserted that while he was not attacking reputable accountants who performed useful work in other fields, it was imperative that professional and non-professional trustees alike be eradicated, swept “from the face of the earth”. Adding, this “remedy for the present disgraceful state of things, would be a blessing to the trading community” (*Sheffield and Rotherham Independent*, 10.3.1877, p.2). Others were less discriminating. ‘A Commercial Traveller’ complained that in liquidations “the assets are eaten up by accountants” (*Sheffield Daily Telegraph*, 13.3.1877, p.3; Hoe, 1977, p.6). Accountants were collectively described as “sharks” feeding on the system of proxies: “I have known some cases in which the accountants have received a fee to hold their noise and not oppose the composition offered”. ‘Billy Fairplay’, a creditor wrote in response to the protestations of Cooper Corbidge. He re-asserted that the bankruptcy system was “a professional trustee’s harvest”. Touting and jobbery by accountants had “become the talk of the town; a prostitution of the means lawfully devised for distributing an estate among creditors; and the scandal of our day” (*Sheffield Daily Telegraph*, 15.3.1877, p.8). He continued:

I have watched the course of events lately, and conclude that to be either a lawyer or an accountancy liquidator means to be engaged in one of the most profitable occupations called into being by the present artificial state of society. I need not multiply cases in proof. Only the other day two professional trustees received £500 each for the services they profess to have rendered, and another received £75, though the total assets were only £100 ...

I am informed that whatever portion of a day, be it half an hour or an hour, that is occupied by a professional trustee in trying to master

a trade of a debtor he has never been apprenticed to, and therefore cannot understand, he can legally charge £2 for a day's work! This ultimately comes out of the creditors' pockets (Sheffield Daily Telegraph, 15.3.1877, p.8).

'Billy Fairplay' urged a rigorous debate on this state of affairs in the Sheffield press.

As far as the respectable accountants of Sheffield were concerned this colloquy in the local media had unfavourable consequences. The 'professional' accountants were being collectively degraded as members of the class of touting trustees. The discourse also indicated that public opinion was marshalling in favour of the abolition of creditor-elected trustees and a return to officialism. There was an obvious need for professional accountants in Sheffield to act in a way which would abate public criticism, differentiate themselves from the less respectable and mobilise to protect their interests.

Formation of the Sheffield Institute of Accountants

The surviving Ledger of the Sheffield Institute of Accountants suggests that on 14 March 1877 a committee room in the Cutlers' Hall was hired by leading accountants for 10 shillings (Ledger, p.50; Hoe, 1977, p.5). The purpose for which this accommodation was required was reported in the *Sheffield and Rotherham Independent* (12.5.1877, p.6):

From time to time, owing to certain revelations made in the Bankruptcy Court, the public of Sheffield have watched with unusual interest, if not suspicion, the mode in which a few of the local bankruptcy cases have been conducted, and the accountants as a body have felt that a reflection had been indirectly cast upon them by the conduct of those whom they do not regard as professional accountants. A movement was therefore set on foot for the formation of an association amongst

the more respectable accountants. A meeting was convened, the requisition for that purpose being signed by Messrs. Allott and Co., Barber Bros. and Wortley, Camm and Corbidge, E.S. Foster, G.W. Knox, Macredie and Evans, W. and S. Short, T.G. Shuttleworth, John Watson and Sons, Wing, Wing and Co, and J.B. Wöstinholm.

All of the firms which signed the requisition contained members of the Society of Accountants in England with the exception of Andrew Macredie of Macredie and Evans who was a member of the Institute of Accountants. Of the 21 'first fellows' of the Sheffield Institute 16 were members of the Society of Accountants and one was a member of the Institute of Accountants (*White's General and Commercial Directory*, 1876; Harper, 1877; also Hoe, 1977, p.3).

At the meeting on 14 March 1877 a committee was appointed to formulate rules and on 10 May the first general meeting of the Institute was held in the Cutlers' Hall. At this gathering "the accountants of the town were well represented" (*Sheffield and Rotherham Independent*, 12.5.1877, p.6) and the rules and regulations of the Sheffield Institute of Accountants were adopted. The objects of the organisation were defined as follows: "To increase the efficiency and usefulness of Professional Accountants; to protect the interests of its Members; to express opinions upon all questions relating to the profession; and to do all such things as may be necessary for the attainment of these ends" (*Rules and Regulations*, 1877, p.3).

The rules and regulations provided that the first members of the Institute would be deemed 'Fellows'. Until 1 January 1879 accountants in practice for five years were eligible for Fellowship on approval by two-thirds of the members in general meeting. After 1 January 1879 all Fellows would be elected from among Associates. Persons aged 21 who had served five years as a clerk to a professional accountant and passed examinations on books and accounts, mercantile and bankruptcy law, the duties of auditors and the practical working of liquidations and bankruptcies, would be eligible for Associateship. The examination

could be dispensed with under a provision which allowed Fellows to nominate one of their clerks as an Associate. Membership fees were £2.12s.6d for Associates with a further payment of the same amount on elevation to Fellow. After 1 January 1878 these fees were raised to £5.5s. Annual subscriptions were £1.1s for Associates and £2.2s for Fellows (*Rules and Regulations*, 1877, pp.4-6).

The rules of the Sheffield Institute and its early activities emphasised the desirability of giving visibility to members and conferring advantage in the local market for accountancy services. Fellows and Associates of the Institute were to be distinguished from non-professionals by the credentials FSIA and ASIA. A significant proportion of the general expenses of the Institute comprised the design, printing and framing of ornate certificates of membership (Ledger). The Institute occupied an office in Wharnccliffe Chambers, Bank Street. This was the address of the firm of Thomas G Shuttleworth (Tasker and Shuttleworth), the Honorary Secretary of the Institute. The office was furnished with a table, six chairs an oil cloth, and a stove. The Institute's name was painted on the window (Ledger).

On 8 June 1877 the Council of the Sheffield Institute placed further distance between its members and the unorganised accountants of the district by adopting bye-laws to prevent the practices which had recently brought the occupation into disrepute. Advertising was only rendered permissible within three months of commencing practice or for the purposes of notifying changes in partnerships and addresses. Touting, defined as "seeking professional business personally, by agent, or by circular, from individuals with whom the seeker is not personally acquainted", was deemed unprofessional and procedures were instituted to deal with situations where more than one member was proposed for a single trusteeship in liquidations (Bye-Laws, 1877, p.3). The *Rules and Regulations* also contained provisions for expulsion in cases of dishonourable conduct. The definition of the latter included

participating in the profits of solicitors, auctioneers, brokers and agents (1877, p.12).

At the quarterly meeting of the Sheffield Institute on 12 June 1877, the President, Alfred Allott, conceded that organisation had involved a small number of accountants. Now that the rules and regulations were approved the Institute invited “suitable gentlemen from Sheffield, Rotherham and neighbourhood” to enjoy its privileges (*Sheffield and Rotherham Independent*, 13.6.1877, p.3). The President re-iterated that the intention in forming the Institute was to:

... bring all the able and respectable men of the profession together, and to give people outside it confidence in those whose aid they might require. He thought the bye-laws which had been drawn up ... would have this effect. People would have in the membership of this institute a guarantee of respectability, and they would know that if they had anything to complain about as to the conduct of anyone connected with it, the matter would be fully and closely inquired into (*Sheffield Daily Telegraph*, 13.6.1877, p.4).

Another of the ‘first fellows’, George W Knox, considered that the formation of the Institute would be well received by the legal profession due to its objective to “raise and sustain the standard of honour and professional conduct amongst professional accountants” (*Sheffield and Rotherham Independent*, 13.6.1877, p.3). The solicitors, attorneys and notaries of Sheffield had organised as The Sheffield District Incorporated Law Society as recently as 1875 (*White’s General and Commercial Directory*, 1879, p.13). The stringent bye-laws of the Institute to prevent touting “would ultimately meet with their reward”. In all, Knox contended that the formation of the Institute would meet with public approval and “place the profession of accountancy in Sheffield in a position which it could not otherwise have attained” (*Sheffield and Rotherham Independent*, 13.6.1877, p.3).

At the annual meeting of the Sheffield Institute in March 1878 the Council reported with satisfaction on the first year of activity and looked to exert greater power and influence in the next. A room had been rented in George Street to house a library and reading room, lists of members had been printed and distributed. Papers had been delivered at quarterly meetings on subjects such as 'Accountants: A Protest and a Precept' (*Sheffield and Rotherham Independent*, 14.3.1878, p.2). The objective of an increasing membership was not, however, realised. Only one fellow and four associates were added to the 21 first fellows during the year. The associates had been examined by the President and Vice President. At the end of 1878 there were 23 fellows and five associates; and at 31 December 1879 25 fellows and seven associates (Hoe, 1977, p.33; Ledger, pp.1-2).

Summary

The formation of the Sheffield Institute of Accountants reveals how, in a local setting, organisational responses were encouraged by the pressures on leading accounting practitioners during the mid 1870s. Although a number of Sheffield accountants had sought protection through membership of extant organisations - mainly the Society of Accountants in England - the existence and activities of 'so-called' accountants in the Sheffield district necessitated a further institutional structure to secure occupational differentiation and protection. A series of 'bankruptcy revelations' in Sheffield in 1877 concerning the excessive charges of accountant-trustees and canvassing for proxies, resulted in indiscriminate criticism of all local practitioners. The discourse also revealed the depth of discontent with trustees and the extent of press hostility to accountants.

The rules of the Sheffield Institute of Accountants emphasised difference between its members and those excluded from the organisation. The adoption and display of distinguishing credentials

was a preoccupation of the Institute. Its bye-laws also outlawed practices, such as touting, which had contributed to the vilification of all accountants. As was the case with the formation of the local organisations in Liverpool, London and Manchester earlier in the decade, once institutionalisation had taken place in Sheffield little further progress was made in terms of augmenting the original membership.

CHAPTER NINE

INCORPORATED, CHARTERED OR SWORN ACCOUNTANTS. DEBATES ON ORGANISATIONAL CHANGE, 1874-1878

Once the Institute of Accountants in London had made its unimpressive attempt to metamorphose as a national organisation in 1872, demands for a unified professional body in England and Wales temporarily abated. During the mid-1870s the accountancy organisations focused more heavily on the preservation of work, protection from expected changes to bankruptcy law, the threat of ‘so-called’ accountants and the adverse publicity surrounding trusteeships. However, the question of the incorporation of the Institute of Accountants, which continued as a private association, was never far from the surface. Indeed, the issues of organisation and the protection of work could not be disengaged. Anxiety over the protection of insolvency clientele in the context of threatened bankruptcy reform offers the most likely explanation for a shift in the policy of the reinvigorated Institute of Accountants. By 1878 the aspiration for incorporation by Royal Charter was replaced by contemplation of the advantages of incorporation under statute.

In pursuit of the ‘great desideratum’

Demands for organisational change emanated from a variety of sources from 1874. As shown in chapter four, in June 1874 Henry W Banks reported an interview he had with Mansfield Parkyns, the Comptroller in Bankruptcy, on the status of public accountants and the prospect of gaining a Royal Charter. The Council of the Institute

of Accountants had agreed that President Quilter should meet Parkyns and a Treasury official to discuss the matter. However, the records suggest that no meeting took place.

An important development in the history of attempts to re-organise the profession during the 1870s was the appearance of *The Accountant* in October 1874. This provided a common medium for the exploration of amalgamation and incorporation. The journal campaigned strongly for these objectives. The first issue contained a call for the reorganisation and official recognition of the profession:

... it would be well for all the respectable members of the profession to bind themselves together and, avoiding small matters of difference, work with a will to obtain the ultimate formation of an acknowledged profession. Independent local associations are of very little use in themselves, but one general association, with local branches would be very effective in raising the standing and promoting the interests of accountants and thereby benefiting the public at large (Accountant, 10.1874, p.5; also 6.3.1875; 13.3.1875).

In some respects this palliative mirrored arguments advanced by solicitors prior to the formation of the Legal Practitioners Society in 1873. The extant national and local organisations which represented solicitors had been accused of lacking the central co-ordination necessary to address threats to the profession (*Law Times*, 23.9.1871, p.375).

In November 1874 the Council of the Institute of Accountants agreed to assist Sir H Drummond Wolff in his project to have the organisation of professional bodies, their incorporation and recognition by the state, addressed in Parliament (MS28405/1, pp.164-165). Incorporation also received some official support. In March 1875 George Wreford, of the Office of the Comptroller in Bankruptcy, prepared a review of bankruptcy legislation in which he referred to

the employment of accountants as trustees and the desirability of their associations taking:

... some steps for clearly defining the status and responsibility of the profession. At present any one, very likely a person who has no practical commercial knowledge, or acquaintance with accounts, may style himself an accountant and set up for a trustee in bankruptcy. The incapacity and mal-practices of such persons reflect discredit upon the whole profession. The societies would be wise to follow the example of the Scotch accountants and obtain a charter of incorporation. A membership of the society would then be some criterion of fitness and guide to the public with regard to an accountant's professional standing (Law Times, 6.3.1875, p.326).

One of the two applicants for the Manchester Institute's prize essay competition on the professional duties of accountants was John Caldecott of Chester, a member of the Council of the Society of Accountants in England. His essay was published as a pamphlet in 1875. In this he argued that local organisations were ill-equipped to promote the interests of the profession and called for:

... amalgamation of all existing societies and institutes into one Incorporation of the Accountants and Auditors in the UK, whose diploma shall be a credential acknowledged in the law courts, and an authority in the commercial circles. What would encourage the hopes of the genuine members of the profession more, or produce dismay on the dark sheep so much, as one authorised, powerful, united, and settled organisation, freely constituted and freely supported. This is not a dream, but a desideratum which must come to pass if the members rightly read the signs of the times (Caldecott, 1875, p.51).

At the annual meeting of the Society of Accountants in May 1875, its President continued to call for a "union among the general body of accountants in England, and intimated his belief that such

an amalgamation was not far off” (*Times*, 12.5.1875, p.13; *Accountant*, 15.5.1875, p.6). The Secretary of the Society, Alfred C Harper was to later recall “On several occasions, under instructions from my council, I had interviews with Mr. Thomas Welton with the object of amalgamation with the Institute, in order to obtain, by united effort, powers under which the profession should be controlled, guided, and guarded, but on each occasion I was met with a decided ‘No’” (A C H, 1930, pp.6-7).

In a letter dated 6 June 1875 to G A Cape, the Secretary of the Institute of Accountants indicated that the pursuit of a Royal Charter remained on the Institute’s agenda: “Royal Charter Mr Kemp tells me Sir Richard Baggallay would be willing to look into the matter during the recess if we could furnish him with precedents to show what credentials have been found sufficient in previous cases and that we could shew [sic] equally good ones” (MS28408/2, pp.79-80). Reference was made to gathering information on other incorporated professions and the charter granted to the Faculty of Actuaries in 1868 (MS28408/2, pp.79-80). However, nothing appears to have come of this.

As established in chapter four the public discourse on the accountancy profession which followed the comments of Mr Justice Quain in August 1875 had a traumatic effect on the extant societies and institutes. It re-energised consideration of the organisation of the profession and the idea of regulation by statute also gained ground. Some advocated registration and licensing, as in the medical profession (*City Press*, quoted in *Accountant*, 4.9.1875, p.14). As the need for a conclusive measure to distinguish the reputable from the disreputable accountant became more pressing, the Institute of Accountants appears to have shifted its sights from a charter to a more comprehensive form of closure. In March 1874 a member had suggested that the Institute seek registration under a license of the Board of Trade. This was rejected by the Council as not “likely to be productive of any advantage”

(MS28408/1, p.240). However, by January 1876, its Secretary, Welton, had begun to change his tune:

The Council has no present intention to apply for a Charter. The kind of Charters possessed by the Scotch Accountants do not involve any monopoly of official employment still less an exclusive right to practice. But the Council are aware that official recognition always must possess a certain value and are not indifferent to the importance of obtaining such when they have a chance (MS28408/2, p.102).

As reporting of the misdemeanours of ‘so-called’ accountants in insolvency administration continued in early 1876, Welton indicated that a remedy by government was more likely. He stated “the more stupid blunders are published, the sooner will the attention of Government be called to the desirability of an enquiry – perhaps by Royal Commission into matters relating to our profession” (MS28408/2, p.111).

There were other calls for concerted action on professional restructuring during 1876. In its review of 1875, *The Accountant* of 1 January stated: “for the coming year as in the past the true answer is, as we have often urged, union and consolidation. Let us hope that the new year may see some decided step taken towards that consolidation of the profession we have so often advocated” (1.1.1876, p.5). At the annual meeting of the Manchester Institute in April 1876 David Chadwick urged incorporation and the advantage of conferring on competent accountants the same relation to the state achieved by lawyers (*Accountant*, 3.4.1876, p.6). In May 1876 the President of the Society of Accountants referred to the unanimous desire of his members for a united profession (*Accountant*, 13.5.1876, p.6) and *The Accountant* reiterated the call for a charter (20.5.1876). One of its correspondents argued that “Our immediate and pressing want is a Charter – this ‘great desideratum’” (20.6.1876, pp.5-6). Despite the fact that some of its younger members were also critical of the apparent “indefiniteness” of its agenda and the need to wrest itself from the unenthusiastic pursuit

of its objectives (*Accountant*, 22.4.1876, pp.2, 4-5), these calls did not meet with a response from the Institute of Accountants. Hence, when the Comptroller in Bankruptcy's supplementary report of June 1876 containing the scathing criticism of professional trustees was published frustration boiled over. One correspondent to *The Accountant* wrote to express his "extreme disappointment" at the inactivity of the:

... governing bodies as regards the question of amalgamation. I do not care which is the culprit, or whether it is either of the London or the country societies; I hold them all guilty of neglect to the interests of our profession, until the amalgamation is accomplished. It is nothing less than treason to keep us powerless while the most shameful attacks are being made upon us ...

What is the good of talking about a "Charter," while the government can see in us the evidence of such miserable stuff as keeps us disunited (17.6.1876, p.5).

Another correspondent called for the amalgamation of the professional bodies into a London based organisation with provincial branches (*Accountant*, 24.6.1876, pp.10-11; 1.7.1876, pp.3-5). In a paper on 'The Status of the Profession' given to the Manchester Institute in September 1876 Charles F Richardson urged the pursuit of a Royal Charter to achieve parity of status with the accountants of Scotland. In response, *The Accountant* commented "Professional accountants in England are not an incorporated body for the simple reason that the Government has discontinued the practice of issuing charters for any object" (30.9.1876, pp.3-5).

From charter to statutory incorporation

Although the temperature subsequently cooled, demands for amalgamation and incorporation continued through 1877 and 1878 in response to periodic revelations of the exploits of *soi-disant* accountants,

and the threat of changes to bankruptcy legislation. The deficient organisation of the profession also featured in criticism of the limited progress made by the Institute of Accountants. As revealed in chapter seven Ernest Cooper's letter of May 1877 argued that the Institute had failed to fulfil the expectation when the Bankruptcy Act, 1869 was passed that a class of reputable practitioners would organise and attain a charter, as was the case in Scotland: "Can it be doubted that if the Institute after the Scotch System [of bankruptcy] was introduced here had been actively engaged during the past seven years in ascertaining who are the respectable accountants and inducing them to join the Institute that the profession would have assumed a much higher position in relation to the contemplated Bankruptcy reform?" (MS28405/1, p.307).

In May 1877, John U Wing, a Fellow of the Society of Accountants in England, continued to argue that "They would not rest satisfied till they had obtained what the profession greatly needed – a charter" (*City Press*, 5.5.1877, p.2). In June 1877 the Secretary of the Institute of Accountants again indicated that his organisation now preferred a more rigorous form of closure: "the Institute may possibly at some future time apply for a "Charter of Incorporation" but it has not been decided to make such an application at any particular date. Such a charter would not, of itself, prevent persons not members of the Institute from practising as public accountants" (MS28408/2, p.202). The Secretary also reflected on the subject of incorporation in a letter dated 31 December 1877. He suggested that action was not far distant:

The necessity of in some way incorporating the Institute is, I believe, generally recognised but it is a matter of some difficulty as the Board of Trade has, since the passing of the Companies Act 1867, refused to grant any further charters of incorporation. The subject has been frequently discussed and I think it probable that some action will be taken with regard to it before very long. It is very desirable

that whatever action is taken should be effective as a failure or a partial failure would probably postpone the matter for some years (MS28408/2, p.240).

Articles in the financial press continued to call for a charter. The author of a paper on 'Liquidators and Liquidations' argued "It would be well if Parliament would grant some form of charter to the really respectable body of accountants" (*Accountant*, 2.2.1878, p.3). Letters to *The Accountant* continued on the same theme (23.2.1878, p.6). Demands for renewed efforts to achieve a Royal Charter were also conveyed privately by members of the Institute of Accountants. On 21 February 1878 the Council of the Institute of Accountants discussed a letter from John Paterson, London, suggesting that action should be taken to incorporate the Institute (MS28405/1, p.351). Paterson stated "although we have been in existence some years now we have not yet been legally incorporated whether by Royal Charter by special Act of Parliament or under the Provisions of the Companies Acts".

Paterson noted that there had been a change of government since the last approach had met with a discouraging response and a determined effort should now be made by the Council to persuade the Attorney-General to support the granting of a Royal Charter (MS28405/1, p.355). He continued "There is always a certain amount of prestige and influence attaching to a legally incorporated society over a voluntary association such as ours is at present, and I am quite certain that if our Institute could be incorporated ... during the year 1878, we would see an immense increase to the number of our members before the year 1880" (MS28405/1, p.356). Similarly, at the annual meeting of the Society of Accountants in May 1878 George W Knox of Sheffield spoke of "his desire that all these societies should become blended into one, which should have a charter from Parliament, and should be recognised by the public as an acknowledged and responsible body" (*City Press*, 11.5.1878, p.3).

Bankruptcy law reform and incorporation

By early 1878, the Council of the Institute of Accountants had set a new course. As was shown in chapter seven, in 1877 the Institute was stirring from its 'semi-fossilised' state. It had been energised following the resignation of William Quilter, the stinging criticism in Ernest Cooper's memorandum, the election of new councillors, expressions of discontent among younger members, the comparative activism of the Society, adverse publicity, and the threats posed by bankruptcy reform. In 1876 and 1877 the lobbying of the Institute had failed to remove offensive clauses from the Bankruptcy Law Amendment Bill, particularly those relating to the appointment and remuneration of trustees. The reappearance of the bill, this time in the House of Commons first, is likely to have focused attention on an alternative strategy to preserve the pecuniary interests of professional accountants.

The Bankruptcy Law Amendment Bill, retaining the provisions on trusteeships, was introduced to the Commons by the Attorney-General, Sir John Holker, on 26 February 1878 and read a second time on 11 March (*Accountant*, 30.3.1878, pp.4-5; 20.4.1878, pp.4-5). Holker reaffirmed that the bill continued to be driven by the recommendations of the Lord Chancellor's Committee of 1875 and intended to regulate trustees and their remuneration (*Hansard*, 11.3.1878). With the prospect of the measure proceeding to the Committee Stage, the Institute of Accountants made some revisions to its statement of 'Further Observations and Suggestions'. The amendments were completed on 18 March. Frederick Whinney agreed to approach an MP with a view to representation in the legislature (MS28405/1, pp.368-370). The Council, emboldened since 1877 to consider such base matters, decided that a separate paper would be prepared on the key subject of 'Trustees and their Remuneration' (on remuneration see also *Accountant*, 30.3.1878, p.13; 13.4.1878, pp.4-5; 27.4.1878, p.8; 11.5.1878, p.6; 18.5.1878, pp.5-6). The Bankruptcy Law Amendment

Bill being tabled for 9 May, this paper together with 'Observations and Suggestions', was distributed to MPs on 29 April (MS28405/1, pp.374-375). An MP was identified to move amendments to the bill in Committee (MS28405/1, p.386; MS28404, p.107).

The Manchester Institute also established a committee on bankruptcy legislation at its annual meeting on 5 April 1878 where the members were urged to give "their active support to such measures as may tend to bring the Bankruptcy law more fully into agreement with the interests and desires of the commercial classes of the community", that is, creditor control (Minute Book, p.244, annual report). The Committee took into consideration the government measure and the amending bill advanced by the Associated Chambers of Commerce (Minute Book, pp.240, 243-244). The Institute saw much common ground between its own recommendations on the subject and the incremental provisions contained in the latter (Minute Book, p.244, annual report). The Committee's report was agreed at a special general meeting on 10 May 1878 and subsequently distributed to accountancy and commercial organisations, and to 37 MPs (Minute Book, pp.247-248).

The Society of Accountants announced its intention to take action at the appropriate time against the Bankruptcy Law Amendment Bill. The Society considered that the bill enhanced the remuneration of solicitors and disadvantaged accountants (*Accountant*, 11.5.1878, pp.5-6; 25.5.1878, p.6; 1.6.1878, p.7). *The Accountant* regretted that once again the several accountancy bodies were pursuing action against the bill independently. It urged the compilation of a single authoritative submission to government which would reveal unanimity among accountants and comprise a rallying point for opponents of the measure. Further, a joint deputation from the accountancy bodies to government would ensure "official cognisance" and be of "unequivocal benefit to the profession at large" (18.5.1878, p.5).

The first public mention of the Institute's intentions on the organisation of the profession was made as the Bankruptcy Law Amendment Bill awaited the important Committee Stage in the House of Commons. The disclosure emanated from Frederick Whinney as chairman of the annual meeting of the Institute on 24 April 1878 in place of President Turquand. Whinney was to play a major role in the events leading to the formation of the ICAEW (A C H, 1930, p.10; Jones, 1981, pp.33-34, 41-42). Whinney's obituary rightly claims that "he was instrumental in the formation of the ... Institute" (*Accountant*, 20.5.1916).

At the annual meeting E J Gardiner repeated the criticism that the members were receiving little return for the high entrance fees and subscriptions they paid:

...after being seven or eight years in existence the Institute was still without any defined position in society, without any power, so far as he could see, of enforcing its views; and the only effect of continuing the subscriptions would be to accumulate money which they would probably never derive any benefit from ... if it were shown that they were piling up money for any useful object, he should be in favour of continuing, or even increasing, the present subscriptions (*Accountant*, 27.4.1878, pp.6-7).

In previous years, the Institute offered unconvincing responses to this complaint. Whinney was now able to state that the organisation was engaged in a vital project. Financial resources were required to pursue the salient objective, the state recognition of public accountants. Whinney disclosed that following long consideration of the subject it was his opinion that the Institute should:

... go for an Act of Parliament to prevent anyone practising as a professional trustee unless he were a member of the Institute or of a society of accountants ... It would be impossible to hinder a man from keeping a tradesman's books. But when you come to the term

trustee, and I would include in that liquidator, I think that is a different matter; I think it would be for the benefit of the country that there should be a body of men associated together authorised by Act of Parliament to act as trustees, whose honesty and honour could be secured by the fact that they could be struck off the Rolls at any time for any malpractice. I should like myself for us to endeavour to get an Act of Parliament to prevent any one practising as a professional trustee or liquidator unless qualified (Accountant, 27.4.1878, p. 9).

It appears that for some time Whinney had been considering ways of regulating trusteeships, which, in the words of *The Accountant*, were practically “looked upon as a separate and indispensable profession ... not formally acknowledged as such, but ... identified in every respect with professional accountants” (13.4.1878, p.4). As illustrated in chapter six, during 1876 Whinney had chaired a sub-committee of the Institute of Accountants which reported that the selection of trustees by creditors should be confined to experienced persons on a list compiled by the court (MS28405/1, p.248). Henry Bolland of the Liverpool Society and Society of Accountants in England had advocated the same in 1875 to “prevent untrustworthy persons from being either receivers or trustees” though entry to the list would depend on accountants gaining the signatures of a number of local “legal functionaries” (*Law Times*, 6.3.1875, pp.326–327).

The failure of the Institute of Accountants to secure the enshrinement of this objective in government bankruptcy bills in 1876, 1877 and 1878 now encouraged the pursuit of a separate measure for statutory registration. In pursuing legislation it is likely that Whinney also observed government’s apparent receptivity to professional licensing. In recent years the Law Agents (Scotland) Act, 1873 had instituted a register of solicitors belonging to various organisations of lawyers; and the Pharmacy Act (Ireland), 1875 established a Pharmaceutical Society of Ireland to regulate the qualification of pharmaceutical

chemists. The Dentists Act, 1878, providing for the registration of dental practitioners, was being contemplated by the legislature (*Public General Statutes*). Within closer occupational and geographical proximity the English legal profession had achieved a series of statutes impacting on the remuneration and duties of solicitors during the 1870s. The Legal Practitioners Society promoted incremental measures for the protection of lawyers through successive acts of parliament in 1875, 1876 and 1877.

The idea of confining practice to ‘lists’ of experienced practitioners had also been mooted by Whinney’s senior partner in 1877 in relation to corporate liquidations. It is conceivable that when contemplating a legislative measure Whinney had in mind liquidators under both the Bankruptcy Act, 1869 and the Companies Act, 1862. On 28 June 1877 Whinney’s partner, Robert Palmer Harding, had given evidence to the Select Committee on the Companies Acts. In answering questions put by David Chadwick, a member of the Committee, the following exchange had taken place:

[Harding] *I think that the evils which do exist would be corrected, and a more uniform practice would be ensured, if a list were made of 10 or 20 names, or such number as might be found necessary, of persons who were known to be experienced and qualified, and from that list the liquidator should be selected and appointed.*

[Chadwick] *... if I understand your suggestion, it is that there should be some such system as that adopted by the Board of Trade in their references and arbitrations; they select a certain number of valuers, and they are appointed; I understand you to say that you would recommend the Court to select a certain number of accountants, from which list a liquidator should be appointed? – [Harding] I think that would be found to be the best remedy (Report, 1877, p.87).*

At this stage Whinney had no firm opinion on whether inclusion on the proposed roll of trustees and liquidators would be determined by membership of an institute or by examination, but he was quite clear that regulation of the profession should be secured by statute rather than Royal Charter. One attendee at the annual meeting of the Institute of Accountants in April 1878 stated that the experience of accountants in Scotland revealed that a charter was preferable to a statute. Whinney responded that an Act of Parliament offered the prospect of a complete closure of insolvency work. Conversely, he “did not know what a charter could do for them. If they asked for a charter the answer would be that they were a literary institution or something of that nature, and could incorporate themselves as a limited company without the word limited ... A charter would not enable them to prevent a man calling himself an accountant. There were accountants in Edinburgh who did not belong to the chartered corporation, and they could practise, although the courts might not appoint them judicially” (*Accountant*, 27.4.1878, p.9). A charter, therefore “would not do what they wanted, but it would be worth all the time and money they could spend to obtain an Act of Parliament” (*Accountant*, 27.4.1878, p.9). *The Accountant* considered that given Whinney’s standing in the profession and influence with the Council of the Institute, his suggestion should be taken seriously (18.5.1878, pp.5–6).

Before this public disclosure of intent was made the Council of the Institute of Accountants had already proceeded with Whinney’s plan. His own draft headings for a bill, and those for an alternative scheme prepared by the Secretary, were presented to the Council on 3 May 1878 (MS28405/1, p.378). The Council unanimously resolved to pursue the incorporation of the Institute by Act of Parliament under the title “The Incorporated Institute of Official Accountants”. Frederick Whinney subsequently discussed the idea with Markby, the Institute’s solicitor, and G W Lawrence, who, intriguingly, it will be recalled, had drafted the government’s Bankruptcy Law Amendment

Bill. On 17 May the Council resolved that Markby should instruct Lawrence to draft a bill relating to “Professional Accountants”, not “Official Accountants”. The Council also decided to send literature on the Institute to the Lord Chancellor, judges, government law officers and others given the likely pursuit of legislation (MS28405/1, pp.386–387). The desirability of having the measure before influential policy makers was deemed important given the parliamentary progress of the Bankruptcy Law Amendment Bill and the presence of a County Government Bill. On the latter the Institute suggested that local government audits should be confined to professional accountants (MS28405/1, pp.387, 389–391).

An alternative form of licensing: sworn accountants

The Society of Accountants in England was also discussing an alternative approach to the legislative restriction of accountants’ work through licensing. At the annual meeting of 8 May 1878 it was reported: “A proposition has been laid before the Council to the effect, that the Corporation of the City of London should be memorialised to apply to Parliament to vest them with power to license, as sworn accountants, members of the profession who are able to comply with such terms and conditions as the Corporation may think fit to require for the necessary protection of the public” (*Accountant*, 11.5.1878, p.5).

According to the President of the Society, John Bath, who was closely connected to the Corporation (*Accountant*, 18.5.1878, p.5), the object was to persuade “the City of London to admit sworn accountants” and thereby offer a demarcating credential, just as members of the professional organisations in Scotland were identified as ‘chartered accountants’ (*Accountant*, 11.5.1878, p.6). Under an original statute of the early eighteenth century and subsequent amending acts the Corporation of the City of London was empowered to admit “sworn brokers” on payment of a fee and assurances about honesty and

integrity. Brokers could be removed from the list if convicted of fraud. These regulations had prevented unsuitable persons acting as brokers. *The Accountant* supported this new and bold policy, considering it an alternative means of gaining recognition for a profession prevented by internal division from securing a charter. It asked "Why should not accountants be placed in a similar position and be subjected to such regulations?" (25.5.1878, pp.5-6). The journal envisaged that if other corporations in England and Wales emulated the London example the profession would eventually attain the same status in the public mind as it had in Scotland. Despite this initial enthusiasm for 'sworn accountants' the concept was overtaken by the Institute's bill.

Having recognised that both the Institute and Society of Accountants were actively pursuing different schemes for the profession, one vocal member of the former made the sensible suggestion that both organisations should now co-operate, amalgamate and present a united application for a Royal Charter (*Accountant*, 13.7.1878, p.5). The Council of the Institute, was however, determined to progress its own plan and worked on refining its Incorporation Bill. Although the Bankruptcy Law Amendment Bill was again withdrawn on 5 August 1878 the likelihood of its reappearance early in the next session of Parliament or the presentation of a more comprehensive measure tainted by officialism, remained (*Accountant*, 17.8.1878, p.3). It was also mooted that the Lord Chancellor and Attorney-General had agreed that in its next manifestation the Bankruptcy Bill would be discussed by a Select Committee (*Accountant*, 31.8.1878, p.13). Thus, an opportunity might arise for the presence of accountants on the committee and/or the presentation of evidence by interested parties such as accountants (*Accountant*, 7.9.1878, pp.4-5). The Institute's Incorporation Bill would hardly escape the attention of a Select Committee considering a new bankruptcy act.

On 1 November 1878 the Institute's solicitor was informed that the President, William Turquand, disliked the term 'professional

accountants' and suggested that 'incorporated accountant' should be used in an Incorporation Bill (MS28408/3, p.8). On 25 November 1878 the Council heard that the Incorporation Bill had been amended by a parliamentary agent and it was agreed to proceed with printing, circulation to Council members and notification in the *London Gazette* (MS28405/1, pp.410-411). At the same meeting the Secretary reported that the Secretary of the Society of Accountants had requested that the Council consider assisting the Society in a proposed memorial to the Lord Mayor and Corporation of London to establish "a body of sworn accountants" (MS28405/1, p.411).

Three days later the Council of the Institute resolved to inform the Society that the Institute would present its own parliamentary bill for incorporation in 1879 and that "they have taken this step in the interests of the whole profession". The Institute perceived the measure in this way because it envisaged that all eligible accountants would seek entry to its ranks when the advantages of protective legislation had been conferred (entrance fees to the Institute had already been lowered with a view to convergence (see *Accountant*, 4.5.1878, p.3)). *The Accountant* reported: "We believe that the intention of its promoters is to get all the other societies to follow its example of self dissolution. Then the new body will be formed, of course, of materials supplied by the profession at large" (14.12.1878, p.4). Further, "That a preliminary process of dissolution is necessary will doubtless be generally admitted; for it would be impossible for several societies, with different rules and different terms of membership, to amalgamate with any chance of permanency" (14.12.1878, p.4). These views underestimated the extent to which the Institute of Accountants was determined to control entry and admit only those it considered to be respectable public practitioners. As a result the Incorporation Bill, supposedly framed in the interests of the whole profession, soon encountered opposition.

Summary

Since its formation in 1870 the Institute of Accountants had existed as a private "voluntary association". From 1874 calls for its incorporation were increasingly tied to the desirability of creating a single professional organisation for accountants in England and Wales. Initially, the preferred option was incorporation by Royal Charter. However, the idea of incorporating the Institute by statute and regulating the profession through the same device gained ground as bankruptcy law reform appeared likely and the problem of the *soi-disant* accountant became more pressing. In February 1878 the Bankruptcy Law Amendment Bill was re-introduced. On this occasion the government's determination was signified by the bill's appearance in the House of Commons first. As the measure approached the Committee Stage in spring 1878 Frederick Whinney publicly announced that the Institute of Accountants would pursue an Act of Parliament for the registration of trustees and thereby close insolvency practice to all but qualified men.

The Institute of Accountants framed legislation to establish 'The Incorporated Institute of Official Accountants'. This was later successively modified as a measure for 'professional accountants' and 'incorporated accountants'. Meantime, the Society of Accountants in England suggested an alternative form of statutory licensing under a plan whereby the Corporation of London would be empowered to establish a list of 'sworn accountants'. This idea was overtaken by the Institute of Accountants' Incorporation Bill. During the autumn of 1878 the Institute declared its intention to present an Incorporation Bill to Parliament in 1879. Interested parties were assured that the bill would be devised in the interests of the whole profession. There was a real prospect that this measure would be considered in tandem with the government's Bankruptcy Bill which was due to be re-introduced in the same parliamentary session.

CHAPTER TEN

OPPOSITION TO THE INCORPORATION BILL

During the last months of 1878 the Institute of Accountants devised a parliamentary bill for its incorporation. It was declared that the proposed legislation was intended to have consequences beyond the narrow scope of the Institute and was designed in the interests of all professional accountants in England and Wales. Being a parliamentary measure it would be advantageous to the Institute if it could enlist the support of the other accountancy bodies. The Council of the Institute therefore set about discussing the Incorporation Bill with the Society of Accountants and the local organisations in the north of England.

The Accountants Institute Bill

At its meeting on 28 November 1878 the Council of the Institute of Accountants decided that its Incorporation Bill would be forwarded for comment to the Society of Accountants and the provincial institutes (MS28405/1, pp.414-415). This correspondence was duly sent on 29 November. Once again, its recipients were assured that the bill was conceived “in the interests of the whole profession” (MS28408/3, pp.31-33). On the same day subscribers to the *London Gazette* learned of the Institute’s intention to present a bill for its incorporation. Readers discovered little to convince them that the Institute’s declarations of selfless motives were sincere. The notice contained no reference to any organisation other than the Institute itself. It revealed that the purpose of the bill was to dissolve the Institute and “To re-incorporate the members of the old Institute *with or without*

other persons”, and transfer the property of the former body to the new (*Accountant*, 7.12.1878, pp.5-6). The constitution and governance of the incorporated Institute differed little from the structures of its predecessor. It was provided that the new body would retain control of the arrangements for the admission of members and the vocational preparation of students. Mention in the notice of the adoption of distinctive styles or credentials, and measures to prevent their use by non-members, were potentially disadvantageous to those affiliated to the other accountancy organisations (*Accountant*, 7.12.1878, pp.5-6).

In early December 1878 the bill was printed and amended by the Council of the Institute (MS28405/1, p.416). A committee of the Council was also appointed to watch over its progress. Copies of the bill were sent to the other accountancy organisations with a request that any suggestions be forwarded expeditiously as the document was to be deposited in the Private Bill Office of the House of Commons on the 21st of that month (MS28408/3, pp.44-45).

Readers of the bill, supposedly framed in the interests of the whole profession, discovered a decidedly particularist measure. Far from being inclusive the amendments by the Council of the Institute in December were designed to bring the measure “as nearly as possible into harmony with the existing rules” of the Institute (*emphasis added*, MS28408/3, p.51). The bill, which is reproduced in Appendix C, was titled ‘An Act for dissolving and re-incorporating the Institute of Accountants and for conferring further powers upon them’. The Act was due to come into force on 1 January 1880. It provided that “the old Institute shall be by this Act dissolved and the then Members of the old Institute and all other persons who shall hereafter become Members of the Institute shall by this Act incorporated by the name of ‘The Incorporated Institute of Accountants in England’” (Section 5). All the bye-laws of the old Institute were retained in the new organisation, all the officers of the old Institute would remain in post. The names of the President, Vice President and Council were specified, these being those of the old

Institute. The extant fellows and associates would be transferred to the incorporated body.

Section 34 of the bill defined the conditions of membership for those practitioners who might transfer their allegiances to the newly incorporated institute. Admission to fellowship depended on the applicant being continuously “in *bona fide* practice in England on his own account as a public Accountant”, and, crucially, on gaining “a certificate from the Council of his fitness to be so admitted”. Similarly, in addition to satisfying the conditions of ‘*bona fide*’ practice, service in public accountancy or articulated clerkship, potential associates also required a certificate from the Council. It was stipulated under Section 38 that the Council would only grant certificates when evidence had been presented “of good moral character”. In two key sections, efforts were made in the bill to gain statutory sanctions to secure and protect market advantage. Section 40 attempted to equate public practice with membership of the Institute. It was provided that “Every Member of the Institute whether Fellow or Associate shall *before becoming entitled to practise as a public Accountant* obtain from the Council a certificate of his membership” (*emphasis added*). Section 41 provided that members would use the credentials FIIA and AIIA. Fines of £20 (plus costs) would be payable by non-members who appropriated these initials. Fundamental rules of the Institute were also codified in the proposed bill, and these reflected issues discussed in the previous chapters. Members were not permitted to participate in the profits of a solicitor, or in the commissions of auctioneers and brokers. Rules were also included for the expulsion and suspension of members.

Reactions to the Incorporation Bill

The Accountant was encouraged by the prospect of an Incorporation Bill. At last the Institute of Accountants had responded to the long standing call for a retreat from sectionalism and movement towards

a united and, therefore, a more effective, profession. The journal was assured that despite its appearance to the contrary the bill was not designed to be in the interests of the Institute only. The distribution of the bill to other accountancy bodies was evidence of an inclusive intent. *The Accountant* was confident that the Institute was aware that the surrender of vested interests on the question of membership was in the public interest (14.12.1878, pp.3-4). As negotiations on the bill ensued *The Accountant* continued to emphasise the importance of a measure to advance the status and influence of the *whole* profession (4.1.1879, p.3).

Once news of the Institute's intentions was made public on 29 November 1878, those excluded from the measure considered their positions. Reactions were decidedly mixed as it soon became clear that this was not legislation around which the extant accountancy bodies could unify. In fact the bill was to precipitate the formation of new organisations actively hostile to certain of its provisions.

On 10 December 1878 the Council of the Sheffield Institute met to consider the Incorporation Bill. It was agreed to communicate to the Institute of Accountants the Council's surprise at the appearance of the bill; their "hearty approval" of its object and the declaration to frame a measure in the interests of the whole profession (MS28405/1, p.419). However, anxiety was expressed about the confining of the bill's scope to members of the London-based Institute and the provision that a certificate from its Council would be necessary for others to join. The Council of the Sheffield Institute considered that its own members had been chosen with care and sought an assurance "that the members of the Sheffield Institute as a body shall upon request be admitted as members on the same terms as those who shall have obtained the Certificate" (MS28405/1, p.419).

A general meeting of the Liverpool Society was held to discuss the bill on 13 December 1878. The minute records that "The Meeting strongly approved of the principle of promoting a Bill giving a legal

status to Accountants but there was a general feeling that the Bill as drafted was too exclusive and especial objection was taken to the clauses relating to the necessity of members who had long been in business obtaining certificates of Fitness from one of the London Council before admission" (Book of Proceedings). The following day the Secretary of the Liverpool Society communicated this view to London. The Liverpool Society's suggestion of a conference to discuss the bill had already been anticipated by the Institute of Accountants. At another special general meeting on 24 December 1878 the Liverpool Society agreed that the Institute's suggestion of a conference on 2 January 1879 was not convenient and the Secretary was remitted to inform the Institute of Accountants that Liverpool members should have seats on the new Council. It was resolved to "express with sufficient firmness the unanimous feeling of the meeting that the members of this Society should be treated as *de facto* incorporated into the new Institute without formal application or certificate of fitness being demanded" (Book of Proceedings, 24.12.1878). On 4 January 1879 a deputation was appointed to meet the Council of the Institute of Accountants. Its remit was to insist on the entrance of Liverpool members to the incorporated institute without a certificate, and seats on its council.

The Manchester Institute responded enthusiastically to the prospect of an Incorporation Bill. On receiving notice of the Institute of Accountants' intentions the Council offered its co-operation in promoting so worthy an object (Minute Book, p.260). Having received a copy of the bill the Council, on 13 December 1878, appointed a committee to scrutinise its contents (Minute Book, p.262). However, before the committee had reported the Secretary received letters from the Society of Accountants and Edwin Guthrie, Secretary of the Accountants' Incorporation Association (Minute Book, p.264). The Secretary was remitted to reply to the Society that the bill was being studied by a committee but that the Council approved of the Institute of Accountants' desire to promote a bill in the interests of the whole

profession (Minute Book, pp.264–265). Responses to Guthrie were to be at the Secretary's discretion.

The committee of the Manchester Institute on the Incorporation Bill reported to Council on 23 December 1878. The immediate response of the Council was to inform all members that they should use their designations, FMIA or AMIA, and to resolve to send a deputation to the proposed meeting in London (Minute Book, p.266). Rather than dissolve the existing Institute it was hoped that the Manchester body would continue as an affiliate of the new incorporated organisation. When the committee's report on the bill was read at a well attended general meeting on 3 January 1879, it was unanimously agreed "That this Meeting approves of the promotion of the Bill ... and recommends that the main object of the deputation to London should be to secure the recognition of Members of this Institute to an equal professional status with the Members of the London Institute" (Minute Book, p.269; *Accountant*, 11.1.1879, p.5). It was hoped that the Incorporation Bill would extend to all "properly qualified accountants in England". Those present concurred that state recognition of the profession was in the interest of companies, commerce and public bodies (*Manchester Guardian*, 4.1.1879, p.5).

Organisational proliferation resumed

On 12 December 1878 the Council of the Institute of Accountants considered a letter, dated 10 December, from Edwin Guthrie, Honorary Secretary *pro tem* of the Accountants' Incorporation Association (MS28405/1, p.418). This letter included a copy of a circular containing details of "the nature of the action" being taken in response to the Institute's Incorporation Bill. Guthrie wrote:

There is no objection, but quite the reverse, to the passing of a Bill having for its object the Incorporation of a body of properly qualified Public Accountants, nor to the provision of stringent regulations for the

maintenance of the high character of the Institute, by the exactions of a high standard of qualification, but, the passing of the Bill in its present exclusive form is objected to, as calculated to leave other members of the profession, possessing the highest qualifications, at a disadvantage and so under a very grave injustice (MS28405/1, p.418).

Guthrie, a vigorous and astute Liberal, who was to make a significant mark on the organisation of the profession on both sides of the Atlantic (Bywater, 1984; Kitchen and Parker, 1980, pp.8-11), indicated that the present Incorporation Bill would encounter opposition. He sought prints of the bill in order to send a copy marked with changes which would receive the support of his organisation. He also referred to another opportunity recently presented to the profession. The City of Glasgow Bank crash in October 1878 had unleashed an energetic debate about statutory provision for the compulsory audit of banks. Public discussion ensued over the appointment of auditors. Questions were raised about whether auditors should be salaried officers of the Board of Trade, appointed by the shareholders, or professional accountants (Walker, 1996, 1998). In December 1878 the outrage at the consequences of the Glasgow Bank crash meant that a government measure on this subject was likely in the near future. Hence, Guthrie considered it desirable that legislation for the profession also be passed this parliamentary session. He argued “In view of the introduction of a measure for the compulsory audit of Bank Accounts it is important that there should be a legally qualified body to perform that work, else it will fall to the lot of Government Officers” (MS28405/1, p.418). There was also the prospect of legislation for the compulsory audit of all companies incorporated under Act of Parliament and a recognised profession should be ready to capture this business.

The meeting to formally establish an association to oppose the Incorporation Bill being imminent, the Secretary of the Institute in London wrote a number of reassuring letters to Guthrie. On 11 December 1878 he explained that his council were considering

involving other societies during the progress of the bill. Although the bill had to be lodged in Parliament imminently, there would be opportunity for amendments once it reached the Committee Stage (MS28408/3, p.58). In another letter on 13 December the Secretary assured Guthrie that there was no attempt by the Institute to exclude provincial accountants from the benefits of the bill. He continued: "The council wish it to be distinctly understood that they have brought forward this bill in the interests of the whole profession and that any apparent exclusiveness is due to the impossibility of obtaining the views of the country societies in time to perfect the bill before the time for depositing it" (MS28408/3, pp.65-66).

Despite such assurances the proposed meeting to establish an Accountants' Incorporation Association proceeded. On 16 December 1878 the gathering of public accountants took place in Manchester. The meeting was well attended by accountants from Lancashire and Yorkshire. The Chairman was Guthrie's partner, Charles H Wade of Thomas, Wade, Guthrie & Co., Manchester. Wade explained that the Association was formed to ensure that the interests of those belonging to no accountancy organisation were considered in discussions about the Institute's bill. Guthrie spoke of the need for a meritocratic basis of entry to the new incorporated Institute, a council drawn from a broader constituency than "twenty London gentlemen" and a measure which provided "for the equal rights and status of all Accountants in *bona fide* practice" (*Accountant*, 21.12.1878, p.10). Others referred to the need for legislation on the profession to be in the public interest. The principal objects of the Association would be "To watch the interests of the profession at large in respect of a Bill now being promoted in Parliament by the Institute of Accountants (London), and, if possible, to effect such modifications of the provisions contained in the draft of that Bill as will bring it into accord with the views and interests of the Members of the Association". Further, "Failing the passing of a satisfactory Bill in the present Session of Parliament, to promote a Bill

for the Incorporation of a body of duly qualified Public Accountants” (*Accountant*, 21.12.1878, p.10). It was also resolved that any bill which sought to protect the interests of a particular accountancy body, did not recognise the right of every eligible public accountant and failed to provide for future entrance by examination, would be considered unsatisfactory. It was reported that during the meeting of the Association messages of support “were received from several members of the profession, in different parts of the country” (*Accountant*, 21.12.1878, p.10).

The Institute of Accountants was clearly ruffled by the formation of the Association. Its bill was not intended to unleash a new period of organisational proliferation; quite the opposite. On 21 December 1878 the Secretary wrote to Guthrie inviting a deputation to the meeting in January between the Institute’s Council and delegations from the local societies. Iterating the resolutions of the Accountants’ Incorporation Association, the Secretary also reassured Guthrie that the Institute was determined “to promote the interests of the whole profession and their object is therefore identical with that of your Association. The bill is intended to “recognise the right of every person in *bona fide* practice as a Public Accountant to equal privileges” and provides for the “admission of all future members by examination” (MS28408/3, pp.81–82). He urged Guthrie to provide a statement on how the bill could be altered to more clearly meet the objectives of the Association.

The objectives of the Accountants’ Incorporation Association indicate that it was effectively a single-issue interest group. However, if its members desired a seat at the table to discuss the Institute’s bill and inclusion in a wider scheme for the profession, the Association also required representation as an occupational association. On 31 December 1878 the Council of the Institute discussed a letter from an organisation of which it had no knowledge, the Lancashire Institute of Accountants. This correspondence related that the Council of the Lancashire Institute approved of the main purpose of the Incorporation

Bill but “certain of its provisions are open to objection both in regard to the interests of the general body of practitioners and also in regard to the character which will be impressed upon the new incorporated body” (MS28405/1, p.423). The letter also craved that the Lancashire Institute be represented at the planned meeting with local societies in January 1879. The Secretary of the Institute of Accountants was asked to glean more about this mysterious organisation and to accede to its request to send a deputation (MS28405/1, p.422; MS28408/3, p.93).

The reply from the Lancashire Institute of Accountants stated that its formation had taken place as recently as 16 December 1878 in Manchester at the meeting of the Accountants' Incorporation Association. It was comprised “of a large number of influential accountants of Manchester and surrounding towns who have for a variety of reasons held aloof from the Institute which was formed in this city a few years ago” (MS28405/1, p.424). Although it had yet to agree rules and elect all its officials, the Lancashire Institute considered itself worthy of representation at the proposed meeting in January (MS28405/1, p.424). Several of the Lancashire Institute's inaugural committee assumed similar functions in the Accountants' Incorporation Association, including Guthrie and Wade. The Institute of Accountants did not concede to the request for participation by this pretender. While it invited suggestions about the Incorporation Bill, the absence of any codified rules meant that the Lancashire Institute were not invited to the party (MS28408/3, p.101).

Having received responses to the bill from the local societies and the Accountants' Incorporation Association, the Council of the Institute of Accountants decided on 20 December 1878 to arrange a conference and receive deputations on 2 January 1879. This was later re-scheduled for 14 January. The Council perceived that the object of the meeting would be to make the bill “as perfect as possible in the interest of all the profession” (MS28408/3, p.58). The Secretary of the Institute wrote to the provincial bodies, including a mysterious,

recently formed Birmingham Institute which could not be contacted (MS28408/3, pp.59-63).

Society of Accountants in England

The response of the Society of Accountants in England to the Incorporation Bill was to act quickly to ensure that its members were included under its provisions. As its Secretary, A C Harper, later explained: "Matters went on until about 1878, when the London Institute sought powers to incorporate itself by lodging a Bill in the House of Lords for that purpose. It can easily be imagined that the Society was not likely to take this movement sitting down" (A C H, 1930, p.7).

On 13th December 1878 a revised version of the bill was sent to the Society of Accountants and other organisations for comment (MS28408/3, p.59). On 20 December the Council of the Institute of Accountants responded to a letter from the Society by inviting a deputation to discuss the bill on 31 December. The Institute's Secretary wrote to councillors to urge their attendance at "a most important meeting" with a deputation from the Society (MS28408/3, p.90). On 30 December the Council of the Society nominated five members to meet the Council of the Institute the following day (*Accountant*, 4.1.1879, pp.3-4). At the meeting "a conversation ensued regarding the Incorporation Bill and a suggestion was made by the deputation that the Institute and the Society should be amalgamated if an agreement as to the terms of amalgamation could be arrived at" (MS28405/1, p.422). Amalgamation would ensure that all Society members automatically became members of the Incorporated Institute. On 3 January 1879 a special meeting of the Council of the Institute considered the approach by the Society and on 8 January it was resolved that it was desirable to consider union "if a satisfactory basis of amalgamation can be arrived at" (MS28405/2, pp.2-3; MS28408/3, p.104). The Society

was informed that the Council of the Institute of Accountants would receive a deputation on 16 January to explore this possibility.

The conferences in January 1879

In preparation for the meeting between its Council and the deputations from the provincial societies on 14 January, the Institute of Accountants requested copies of membership lists (MS28408/3, p.85). Comments on the Incorporation Bill and on the likelihood of support for it in Parliament were also sought from David Chadwick (MS28408/3, p.88). On 29 and 30 December 1878 the Secretary of the Institute of Accountants informed the local institutes of his optimism that a satisfactory scheme would be agreed at the conference (MS28408/3, pp.94-97). He related "Speaking unofficially I think that the basis of an agreement may probably be that the country societies should be associated with the Institute, their members become members of the Institute on reduced terms, and one or two members of each local council be *ex officio* members of the council of this Institute" (MS28408/3, p.97). The Secretary's confidence was premature.

On 14 January 1879 the Council of the Institute of Accountants duly met deputations from the organisations in Liverpool, Manchester and Sheffield, as well as the Accountants' Incorporation Association. The Liverpool delegation urged the absorption of all its members into the incorporated Institute. The Manchester delegation argued for the affiliation of their organisation to the incorporated Institute (MS28405/2, p.5). In response, John Young for the Institute of Accountants conceded that all local societies should continue as affiliates of the new body. He then ventured onto the more delicate question of its membership. There would be no automatic admission of members from existing societies:

It was the wish of the Council that all bona fide public accountants should be admitted but as it was possible that some persons engaged in other business might have obtained admission to some of the local societies he suggested that the lists of the members of the local societies should be gone through with the view of ascertaining whether any of them were not bona fide public accountants and that all the members who came under that designation should on expressing a wish to that effect be admitted as members of the Incorporated Institute (MS28405/2, p.6).

The tone of the meeting appears to have changed following this disclosure. The delegates from Sheffield mentioned that eight of its 20 Fellows were stock and share brokers. These “were men of such standing that the Sheffield Institute would be perfectly useless if they were excluded” (MS28405/2, p.7). George W Knox from Sheffield rightly identified that the engagement of some of its members as stock and share brokers was the reason why the Council of the Institute of Accountants would not “agree to the immediate inclusion of all the members of the country societies” (MS28405/2, p.6). Despite these observations the Council of the Institute of Accountants remained resolute on this point. Samuel L Price stated “it was the very foundation of the Institute that it was exclusively for persons practising as public accountants and nothing else” (MS28405/2, p.7). If stock and share brokers were admitted it would be difficult to exclude those combining accounting with other business activities. Wade and Guthrie, who had insufficient personal experience in public practice to merit entry to the new Incorporated Institute, urged a broader concept of eligibility for admission. The meeting proved inconclusive. The Sheffield delegates urged the Institute of Accountants to reconsider its position on stock and share brokers. It was decided that delegates from the local societies should meet again with the Council to examine the clauses of the bill (MS28405/2, pp.8-9).

Before the Council of the Institute of Accountants received a delegation from the Society of Accountants to discuss amalgamation, some preparatory investigation of its membership was undertaken. By 9 January 1879 the Secretary had prepared "an analysis" of the members of the Society (MS28408/3, p.119). When the deputation from the Society met the Council of the Institute on 16 January their initial expressions of optimism about amalgamation were immediately disabused. The delegates were informed that "the Council did not think they could agree to admit the whole of the members of the Society without some inquiry into their qualifications" (MS28405/2, p.9). Further, whereas the Institute envisaged that the local institutes would become affiliates, it considered that the Society should dissolve. The funds of the Society would then be distributed, permitting those found qualified for admission to enter the Incorporated Institute on payment of the entry fee which was higher than that currently levied by the Society.

The Society's delegates objected to dissolution and affirmed that their object was to join a single organisation comprising "the whole of the members of the Society and the Institute". They argued that any ineligible members should be expelled post-amalgamation; that such individuals were few given that, with the exception of its 60 founders, all members had been found qualified by recommendation or searching examination (MS28405/2, pp.9-10; A C H, 1930, pp.7-8). The Council of the Institute then reiterated its intent to exclude those "engaged in businesses which were incompatible with the profession of public accountant". None but *bona fide* accountants would be admitted. The Society's representatives argued that this would preclude "many of the best accountants in the country" from joining the new Institute; and that "it would be much wiser to take a broad view of the matter and admit all who were now practising accountants even if engaged in other businesses but to exclude such persons for the future" (MS28405/2, p.11). The Society's delegates concluded that it should be resolved to

amalgamate and that only those unable to satisfy a joint committee comprising members drawn from the Institute and Society's councils, should be excluded. The Institute was not to prove so accommodating. The Chairman of the meeting and fellow Institute Council members reaffirmed the exclusion of all but public accountants. It was decided to adjourn the meeting to allow the Council of the Institute to consider "the question of the admission of accountants engaged as auctioneers or stock and sharebrokers or in other businesses" (MS28405/2, p.13). In the extended, crossed-out minute of the meeting it was also suggested that the Secretaries of the two bodies would review lists and examine the occupations of individual members (MS28405/2, pp.11-13).

When the Council of the Institute of Accountants reconvened a week later, its uncompromising position was affirmed. On 22 January 1879 it resolved "after careful deliberation ... the true interests of the profession requires that eligibility to membership should be limited to persons whose only business is that of a public accountant" (MS28405/2, p.14). The Incorporation Bill would be proceeded with on that basis. The Society of Accountants and the provincial bodies were informed of this determined stance the following day. The Secretary of the Institute wrote: "If this resolution should result in the exclusion of any gentlemen otherwise qualified the Council will feel much regret but they believe that the objects of the Institute can be best attained by limiting its members to purely professional accountants" (MS28408/3, pp.128-132).

Not for the first, and certainly not for the last time in the history of the UK accountancy profession, it appeared that unification was foundering over the question of where and how the boundaries of institutional membership were to be drawn and who was to sketch them (Walker and Shackleton, 1998; Shackleton and Walker, 1998, 2001). A narrow exclusivist approach offered the advantage that the new incorporated Institute would benefit from the ascribed status of established public accountants. Organisational reputation would

not be diluted by the entry of those engaged in work deemed on the margins of the profession. However, exclusivity would also create a large community of alienated outsiders, had the potential to re-ignite opposition to proposals for institutional change and limited the capacity of the organised profession to comprehensively address the problem of the *soi-disant* accountant.

Summary

The contents of the Institute of Accountants' Incorporation Bill were publicised at the end of 1878. A cursory glance revealed that the scope of the bill was narrow and comprised a blatant attempt to transfer the governance structures and personnel of the old Institute to the new Institute. The strict rules of admission provided in the bill offered little prospect for the inclusion of all non-Institute members to the new organisation. Numerous accountants would be denied use of the statutorily protected credentials and the consequences of equating membership of the Institute with public practice.

The provincial accountancy bodies were pleased that the Institute of Accountants was taking action to address the problem of the organisation of the profession but were uneasy about the apparent exclusivity of the bill. They therefore urged the automatic inclusion of their existing members in the new Institute. The Society of Accountants responded to the bill similarly by advocating amalgamation with the Institute of Accountants and thereby bringing its members within the scope of the newly incorporated organisation.

Rather than being a catalyst for rationalisation, the particularist character of the bill encouraged the formation of new accountancy bodies. Despite assurances from the Institute of Accountants that the bill would be rendered more inclusive when amended during the legislative process, an Accountants' Incorporation Association was formed to ensure that the interests of unaffiliated accountants were

protected. The proactive leadership of this pressure group threatened to prepare an alternative parliamentary bill.

In January 1879 the Institute of Accountants held meetings with the other accountancy bodies ostensibly to ensure that their views were accommodated in the provisions of the Incorporation Bill. At these meetings the Institute disappointed the expectations of the other organisations that their members would automatically enter the new Institute *en bloc*. The Institute insisted that entry would be confined to 'bona fide public accountants'. Those who engaged in pursuits deemed incompatible with this construct, such as stock broking and auctioneering, would be excluded. The meetings in January 1879 proved inconclusive. Opposition to the Institute's bill began to crystallise.

CHAPTER ELEVEN

IN SEARCH OF COMPROMISE, 1879

Despite the disenchantment of the Society of Accountants and the Sheffield Institute in particular, the Institute of Accountants continued to pursue its Incorporation Bill. On 31 January 1879 the Council of the Institute decided to submit the bill to a parliamentary draftsman and a committee was appointed to settle its clauses. The determination of the Council to proceed was conditioned by the tight parliamentary timetable, a conviction in the rightness of its cause, the imminent appearance of a government bankruptcy bill and encouraging comments from the oldest provincial societies. The opponents of the Incorporation Bill also began to entrench their positions and marshal their resources.

Opposition intensifies

The Council of the Institute of Accountants were informed that their firm stance on the admission of only *bona fide* public accountants received unanimous support in Liverpool (MS28405/2, p.18). The Manchester Institute also declared itself “in accord” with the Council in London on this subject (MS28405/2, p.24). Even in Manchester and Liverpool, however, there was some apprehension about where the Institute intended to draw the boundary between those included and those excluded from the new organisation. There were different notions in London and the provinces about what constituted public practice. The Manchester Institute was anxious that accountants conducting estate and insurance agency should be included, “these

branches of business being also consistent with the usage and practice of the profession of solicitor” (MS28405/2, p.25; Minute Book, pp.272-273). Similarly, the Secretary of the Liverpool Society appended a letter of support with the following statement: “By the term I have used ‘*Bona fide* Accountants’ is meant that we exclude those who are admittedly also Sharebrokers, Auctioneers, Estate Brokers, Debt Collectors and the like, but of course in our professional capacity the management of estates and the collection of debts must be part of our business and we cannot be disqualified thereby – this I hope is clearly understood” (MS28405/2, p.19).

In response to these queries the Manchester Institute was informed by the Institute of Accountants on 10 February 1879 that the clauses of the Incorporation Bill relating to admission were being examined “with the view to their being so worded as to give some elasticity to the rule referred to” (MS28408/3, p.148). However, this concession represented no fundamental departure from exclusivity on the Institute’s part. Its Secretary informed his counterpart in Liverpool privately that there was a hardening of attitude in London: “My Council feel very strongly the necessity of excluding from membership of the Institute any persons engaged in any public occupation distinct from and in addition to their business as accountant and I believe the clauses of the bill relating to the admission of members will have to be so altered as to give express effect to this view” (MS28408/3, p.135).

Following the ill-fated meeting on 16 January 1879 the Society of Accountants and the Sheffield Institute appear to have become increasingly hostile to both the Incorporation Bill and its progenitors. They also attempted to mobilise opposition elsewhere. These efforts were unproductive in Manchester and Liverpool. In late January and early February 1879 the Society and the Sheffield Institute called for a general conference. The Manchester Institute rebuffed this suggestion on the grounds that while it was itself seeking certain assurances from the Institute of Accountants on the acceptability of agency work it was

“desirous of promoting the passing of the Bill, with such amendments as have been put forward in the common interest of the general body of accountants” (Minute Book, p.273). On 28 January 1879 the Secretary of the Institute in London reported to his counterpart in Liverpool “I have not heard from the Society since I sent them a copy of the Resolution but I fear the two bodies hold such distinctly opposite views on this question that an agreement is hardly possible” (MS28408/3, p.135).

On 4 February 1879 the Council of the Institute of Accountants determined to approach five MPs to ascertain if they would sponsor the Incorporation Bill in the House of Commons. These included Sir John Lubbock, Mr Sampson Lloyd and David Chadwick (MS28405/2, p.21). It was noted that all were Liberals (MS28408/3, p.141). On 14 February Lubbock, who had already discussed the matter with Frederick Whinney, was requested to take charge of the bill (MS28408/3, p.153). Chadwick and Sampson Lloyd were asked whether they would allow their names to be affixed to the bill (MS28408/3, pp.154–155). Lubbock, a highly respected banker and senior member of the Mercantile Law Amendment Society, agreed to take charge of the bill subject to the amendment of a clause on serving articles prior to admission. Lubbock had steered the Falsification of Accounts Act, 1874 through Parliament and had a growing reputation for securing reforms through private members’ bills (Smart, 1984). Chadwick refused to sponsor the bill (MS28406, p.64). He presented his views on the subject to the Manchester Institute and asked its Council if any proposals would be forthcoming from the profession on the audit of banks (Minute Book, pp.274–275). The Manchester Institute replied that the latter was not contemplated but the government’s promised legislation on the subject would be scrutinised when it became available.

On 17 February 1879 the Lord Chancellor once again presented his Bankruptcy Law Amendment Bill containing provisions which represented “a tilt” towards officialism and an offence to accountant-

trustees (*Accountant*, 22.2.1879, pp.3-5; 1.3.1879, pp. 4-5; 8.3.1879, pp.4-5; 22.3.1879, pp.4-5; 19.4.1879, pp.4-5). A comparison of the bill with its predecessor of 1878 by the Manchester Institute concluded that the powers to be conferred on Committees of Inspection rendered the trustee as nothing more than an impotent secretary who would be remunerated at a level so low "as to make it impossible adequately to realize and administer Estates of the extent of the majority of those which come into Court" (*Accountant*, 21.6.1879, p.10). Another threat to accountants was a new provision that in all cases where the assets of the estate did not exceed £2,000 officials of the court would be appointed receiver. Faced with these offensive provisions the Manchester Institute concluded that amendment rather than repeal of the 1869 Act was desirable and that bankruptcy reform should be referred to a Royal Commission. This would ensure that the views of those who were not advocates of officialism, such as professional accountants, could be aired.

The bill for dissolving and incorporating the Institute of Accountants received its First Reading in the House of Lords the day after the introduction of the Bankruptcy Law Amendment Bill (*Journal of the House of Lords*, 1878-1879, p.28). It was proposed without debate by the Lord Redesdale. The Accountants' Institute Bill was considered a second time on 25 February, again without debate. The possibility that at a later stage in the parliamentary process the bankruptcy and incorporation bills might be conjoined to the advantage of accountants was implied in a letter to *The Times* on 4 March (p.10). 'Lex', in referring to the Bankruptcy Bill, asked "is it not time to recognise accountants as a distinct professional class?" He argued that only registered accountants should be recognised as bankruptcy trustees and that licensing would "weed out" those who "bring discredit on bankruptcy proceedings".

The Society of Accountants was not concerned with the possibility of such outcomes at this stage. The introduction to Parliament of the

Incorporation Bill in the face of considerable opposition caused the Society much discomfort. On 28 February 1879 a special general meeting of the Society was convened to authorise the Council to present a petition against the bill. At this gathering the bill was lambasted for not being in the public interest and because it entrenched sectionalism. The proposed control of admission by the Council of the Institute of Accountants was deemed particularly obnoxious. The Society considered itself slighted. The Institute had rejected its suggestion of amalgamation and, despite being the larger organisation, its co-operation in framing the bill had not been sought. One speaker related: "The Institute had apparently been jealous of the influence and extension of the Society of Accountants in England, and were now probably endeavouring to make the Society collapse – to suit their purposes and to enlarge their own coffers. But their Society did not want to be wiped out by them. It would prefer to have one recognised body ... but it must not be as at present for the benefit of the minority to the exclusion of the majority" (*Accountant*, 8.3.1879, p.6).

Fears were expressed at the special general meeting of the Society that the Institute of Accountants was attempting to secure a monopoly of court appointments. The President of the Society therefore urged "the strongest possible opposition" to the bill in its totality (*Accountant*, 8.3.1879, pp.5-7). Calls were made for: the incorporation of all eligible accountants including those who combined accounting practice with stock and sharebroking and auctioneering; identifying an MP to oppose the bill in Parliament; lobbying the Home Secretary and MPs in the country against the bill; galvanising the opposition of accountants who belonged to no organisation; and pursuing a government measure to secure the status of the whole profession, and doing so this year. It was reported at the meeting that the Sheffield Institute had already drawn up a petition against the bill on grounds of its exclusivity. The Society of Accountants determined to do likewise and to pursue its opposition on a grander scale.

As it became increasingly clear that there was serious opposition to the measure the Institute of Accountants' Committee on the Incorporation Bill asked its solicitor "to take steps for getting the Bill returned as an opposed Bill with the view of getting its provisions discussed before a Committee" (MS28406, p.64). On 4 March 1879 a petition against the bill was tabled in the House of Lords by the Society of Accountants, members of the Sheffield Institute, the Accountants' Incorporation Association, 'Accountants' (Edwin Guthrie and others), and 'Accountants in England' (*Journal of the House of Lords*, 1878-1879, p.43). The latter petition had been organised by the Society of Accountants. In addition to the petition of its own members the Council of the Society had instructed Secretary Harper "to cause a second petition to be drawn up and presented by the Accountants of England independently of any existing Society, and by nine days' incessant work the signatures of over 400 Public Accountants were obtained thereto" (*Accountant*, 10.5.1879, p.6). Harper later recalled that "I remember travelling over the country from town to town to meet our country members and other accountants to obtain their signatures, I was very successful in my mission and returned to London with a very large opposition" (A C H, 1930, p.7).

The Accountant expressed its disappointment at the turn of events. Far from being a catalyst for unity, the Incorporation Bill had revealed the fault lines running through the profession. It deplored the antagonism between the Institute and the Society and urged an attempt to find a middle way. Harmony between the organisations representing the profession was essential at the present time. This was "continually brought home ... in the form of newspaper criticisms, and reports of the malpractices of *soi-disant* "accountants;" when, moreover, both the clauses of the Lord Chancellor's [Bankruptcy] Bill ... and the suggestions of commercial men point to the present period as ripe for the enactment of consolidatory provisions and safeguards ... it would be folly to let both opportunities and preparatory measures

slip by because of differences which we cannot regard as absolutely irremediable” (*Accountant*, 8.3.1879, p.4).

In the face of concerted opposition the Institute of Accountants recognised the urgency of mobilising support before the Incorporation Bill was discussed by a Select Committee of the House of Lords. Senior members of the Institute who would give evidence were identified on 7 March 1879 as were various other influential gentlemen, including the Chief Registrar and the Comptroller in Bankruptcy. These parties were to be approached “without delay” (MS28406, pp.65-66). Attempts were also made to enlist the Liverpool Society and Manchester Institute in the cause. The Secretary of the Institute of Accountants wrote to the northern cities to explain that the bill was likely to be heard before a Committee of the Lords “in a very few days” and that given the opposition “it is necessary to get together without loss of time our evidence in favour of it” (MS28408/3, p.177). As they had expressed approval for the principle of the measure, the Secretary urged Liverpool and Manchester accountants to identify some of their own number, leading merchants and county court officials who might offer support for the bill and present evidence of “the necessity of being able to discriminate between *bona fide* professional accountants and those engaged in other businesses” (MS28408/3, p.177). In relation to the latter the Liverpool and Manchester bodies were urged to gather statistical evidence on the number of accountants in their cities, the businesses pursued by non-members and the number and value of insolvency cases awarded to members compared to other ‘accountants’ (Book of Proceedings, 11.3.1879).

Responses to this request from Liverpool, and Manchester especially, disappointed the Institute of Accountants and indicated emerging dissatisfaction at the lack of consultation since the meeting on 14 January 1879. While the Liverpool Society identified its senior members as potential witnesses, it decided not to seek out other eminent personages in the city until a copy of the amended Incorporation Bill

had been received. It also urged its President, who was in London, to request an interview with the Council of the Institute to discuss the bill (Book of Proceedings, 11.3.1879). The Council of the Manchester Institute resolved likewise on 7 March that "no such support can be given until the Council have seen and approved the amended clauses intended to give effect to their views" (Minute Book, p.279). With the meeting of a Committee of the House of Lords imminent, it appeared that the Institute of Accountants had failed to secure the wholehearted support of any organisation of accountants. It became clear that securing an incorporation bill under its own auspices required the Institute to depart from the rigid policy of exclusivity.

From exclusivity to inclusivity. Amending the Incorporation Bill

On 12 March 1879, one week before the likely date of the sitting of the Lords Committee on the Incorporation Bill, the Secretary of the Institute of Accountants wrote to Manchester to explain that the bill had been amended. Its preamble now stated that other bodies were to be included within its scope. The bill provided for the admission of the members of existing societies and for their representation on the new Council. Although there were no specific clauses on the relationship between the provincial societies and the Incorporated Institute, the Secretary of the Institute considered that "this plan concedes all your society asks for" (MS28408/3, p.193). The alterations to the bill were forwarded to Manchester and Liverpool the following day (MS28408/3, p.196). However, the Council of the Manchester Institute remained disenchanted. Following a long discussion on 14 March 1879 it resolved:

That the Council regrets that the promise made at the meeting in London and subsequently referred to in the Institute letter of Jan'y 23rd by which settlement of the amended clauses was to be effected

by a Conference of the London and Country societies, has not been fulfilled.

That having now considered the print of the amendments the Council find that they fail to secure to the Members of the Manchester Institute an equality of status with those of the London Institute.

That the Council is further of opinion that the Bill cannot be expected to become law unless it gives a fuller recognition and more adequate representation to the profession generally and it was in this spirit that the desirability of supporting the Bill in the first instance commended itself to the Council (Minute Book, p.281).

In response the Secretary of the Institute in London asked for clarification of how the specific amendments did not “meet the views of your Council” and claimed that a conference had not been feasible until the final draft of the bill was settled and printed (MS28408/3, p.201).

The President of the Liverpool Society responded to the amendments by alluding to what was likely to be the ultimate objective of the measure. He suggested that members of the Incorporated Institute should be licensed by the state. The Secretary of the Institute of Accountants answered “it is thought that if such a purpose should be made it should come from government rather than from the Institute” (MS28408/3, p.202). A letter from the Secretary of the Liverpool Society dated 22 March 1879 also suggests some continuing anxiety in that city about the admission of all its members to the Incorporated Institute. In response to a comment by A C Harper, the Secretary of the Society of Accountants, that the Institute intended to admit all members of the provincial institutes to the new organisation, the Secretary of the Institute wrote:

I informed him that that was a mistake that at the conference [14 January] the Council declined to pledge themselves to admit

without inquiry the whole of the members of any Society as they felt it would be invidious to say we will admit all the members of one society and without inquiry as to their qualifications and not those of another.

... At the same time there has never been any doubt in the minds of the Council that all your members would be admitted as it is known that you do not admit into your Society any but bona fide accountants (MS28408/3, p. 212, emphasis in original).

The Secretary of the Institute of Accountants also conceded that it was by no means certain that the amended bill would “satisfy all the opposing parties” (MS28408/3, p.193) and compelling evidence from its supporters would be necessary to convince the Committee of the House of Lords. However, the fact that the proposed amendments would allow the members of any existing society to join the new Institute unless they were personally disqualified on grounds “other than being engaged in another business”, offered hope that opposition would be withdrawn (MS28408/3, p.213).

On 24 March 1879 the Institute of Accountants' Committee on the Incorporation Bill considered the final draft of the measure “as settled” and suggested that a conference should now be arranged between the Council and deputations from the provincial institutes, the Society of Accountants and the Accountants' Incorporation Association (MS28406, p.68). The Council decided that the bill should be distributed to members of the Institute (MS28405/2, p.33). *The Accountant* was pleased to report that the bill had been amended in response to the severe criticism to which it had been subjected: “the burden of the objections raised to the bill as originally drawn may be summed up in the single word ‘exclusive’, and it is in the direction of rebutting the charges under this head that the recent additions tend” (12.4.1879, p.4). The preamble to the amended bill for The Accountants (England) Act, 1879, indicated a radical departure from

the elitism of the original measure: “the members of the Institute are desirous of being incorporated, and of being empowered to unite with the members of other societies and associations in the formation of a body representative of the whole profession” (*Accountant*, 19.4.1879, p.3). Such a comprehensive measure was necessary if the profession was to include reputable practitioners and address the problem of the *soi-disant* accountant.

Section 39 of the amended Incorporation Bill provided that it would be a fundamental rule that members would not pursue occupations other than public accountant. However, in becoming effective from the date of the Act, those who currently combined accounting with stockbroking or another occupation, could be admitted to the incorporated Institute. Section 46 enabled all accountancy organisations in existence at 30 November 1878 to seek admission to the new Institute before 31 October 1880 according to schemes devised by the Institute, and approved by both the Board of Trade and the accountancy organisation concerned. This effectively meant that if the Institute of Accountants and the applicant organisation disagreed over the terms of admission, the Board of Trade would decide them. Further security for those accountants who combined their profession with another occupation was offered by the proviso that the Board of Trade was disbarred from including a stipulation that a public accountant combining practice with another business at the time of the passing of the Act should be excluded from membership of the Institute (*Accountant*, 12.4.1879, pp.5-6). These provisions would satisfy the opponents of the bill, but a section which stated that the first Council of the new Institute would comprise the Council of the old was bound to cause friction (*Accountant*, 19.4.1879, p.3).

While it recognised the need for further amendment *The Accountant* was positive about the revised legislation. The Accountants (England) Bill resonated with the “universal agreement amongst all accountants of standing as to the absolute necessity for consolidation and recognised

status, having regard to the future of the profession". This objective was only feasible if the measure included within its scope "all accountants of respectability and position" (*Accountant*, 19.4.1879, p.2). The actualisation of a provision in the bill for an extended library and hall to accommodate the new institute (Macdonald, 1989; McKinstry, 1997) offered the prospect of a visible demonstration of a reputable profession, and a counter to the adverse portrayal of accountants in a hostile media (*Accountant*, 26.4.1879, pp.3-4). Provision in the bill for future admission on the basis of articles and examination would ensure competency and secure public confidence in the profession.

On 26 March 1879 invitations were sent to the accountancy organisations to attend a conference on 2 April to discuss the amended Incorporation Bill (MS28408/3, pp.216-220). The call was not well received by some of the opponents of the measure. Edwin Guthrie, Secretary of the Accountants' Incorporation Association, responded that further amendment of the bill was necessary, that the Institute's behaviour in not calling another conference after 14 January was objectionable, and the unilateral introduction of the bill in the House of Lords had violated the spirit of co-operation between the accountancy bodies. The Secretary of the Institute of Accountants conceded that further amendment was possible and stated that no conference had been called because the bill had been subject to detailed consideration by the Institute and an eminent parliamentary draftsman had suggested changes. However, the amended bill was now "framed in accordance with the best advice that can be procured" (MS28408/3, pp.225-226).

The Secretary of the Sheffield Institute was also suspicious. He suggested that the Institute of Accountants had been acting unfairly. It had attempted to stifle opposition and in its haste to present the bill had sought to "beguile' the other societies into inaction until too late to petition against the Bill" (MS28408/3, p.227). The Secretary of the Institute of Accountants denied these accusations and referred to the

unavoidable delay which had prevented calling another conference until now. He assured the Sheffield Institute that the object of the planned meeting with the various societies was to “arrive at an agreement satisfactory to all parties as to the amendments to be introduced into the Bill in Committee ... the Council will I am sure be most anxious to give all suggestions the fairest and fullest consideration” (MS28408/3, p.229). As far as he was concerned all parties now agreed that “it would be right in future to keep the profession distinct from other businesses although your Society and others objected to the exclusion of accountants now in practice who might also be stock and sharebrokers &c. That objection is fully satisfied ... by the proposed amendments and I hope that the result of the Conference ... will be such as to facilitate the passing of the Bill during the present Session” (MS28408/3, p. 230).

The meeting of the Institute of Accountants and other accountancy organisations proved difficult to arrange. The Sheffield Institute sought a conference with the Manchester and Liverpool bodies in Manchester before travelling to London. The Manchester Institute suggested that the provincial societies meet in the capital before the conference with the Institute of Accountants (Minute Book, p.287). This increasing receptivity by the Manchester Institute to the opponents of the Incorporation Bill was also illustrated in the report of its Council presented at the annual meeting on 4 April 1879: “The settlement of the clauses by which the proposals for enlargement are to be effected is now waited for, and the Council will give them most careful attention, with the intention of supporting the Bill only if it shall appear to be a broad and liberal measure, likely to effect a union of existing Societies and outside Accountants, and to give a satisfactory status to the profession as a whole” (*Accountant*, 12.4.1879, p.7; *Manchester Guardian*, 5.4.1879, p.5).

The conference in London was eventually scheduled for 24 April 1879. This delay was not considered problematical by the Institute of

Accountants because the House of Lords was in recess until 21 April and the prospect of a Lords Select Committee considering the Incorporation Bill in the immediate future had receded (MS28408/3, p.241). The eighth annual meeting of the Institute took place on the day before the conference. The annual report to members stated that:

The Council feeling it to be highly desirable in the interests of the profession and the public that a corporate body, recognised by the Legislature, should be formed for the purpose of regulating and controlling the profession of accountant, have introduced into Parliament a measure for incorporating the Institute, and enabling other Societies and Institutes of Accountants to unite with it, in order to form as "Incorporated Institute of Accountants," the Members of which should be entitled to use distinctive initials, and should be subject to expulsion or suspension for misconduct. The Bill has been read a second time in the House of Lords and committed to a Select Committee, and the Council hope that although it has encountered considerable opposition, it will be passed during the present Session (MS28404, p.113).

Unity found

Deputations from the provincial institutes, the Accountants' Incorporation Association, but not the Society of Accountants, duly met the Council of the Institute of Accountants on 24 April 1879. As the Secretary of the Institute had indicated, the Council were receptive to further amendment of the bill. Subject to legal opinion and the deliberations of the Lords Select Committee, it was agreed to remove 'Institute' from the title of the legislation, it becoming a bill to incorporate accountants, thus illustrating that the measure was to include all eligible accountants. It was also agreed that in addition to the 20 members from the Institute of Accountants, the Council of the new Institute would be extended to include a further 20 members

nominated by the other organisations. Marginal changes to the provisions relating to engagement in other occupations would also be made (MS28405/2, pp.40–41; MS28408/3, pp.250–251; Minute Book, pp.288–289). Two days later the Secretary of the Institute sent to his counterpart in Sheffield the sketch of a plan for the admission to the Institute of members of the provincial organisations (MS28408/3, pp.250–251). Shortly thereafter he also sent A C Harper of the Society details of the meeting on 24 April (MS28408/3, pp.253–255). The Society of Accountants subsequently resolved that unless the concessions referred to in this statement were made it would continue to oppose the measure (*Accountant*, 10.5.1879, p.6).

The Society of Accountants and the Accountants' Incorporation Association continued to press for changes to the bill and both displayed political astuteness in pursuing their demands. On 26 April 1879 the Institute of Accountants' Committee on the bill discussed a letter from the solicitors of the Accountants' Incorporation Association suggesting that remaining differences should be settled outside the Lords Committee, thus allowing the bill to proceed unopposed. The response to this suggestion was left to the discretion of the Institute's legal advisors (MS28406, p.70). The Institute's Committee on the bill was increasingly of the view that it had conceded enough. On 6 May, by which time a single firm of solicitors represented all opponents, further amendments suggested by the Association were rejected (MS28406, p.71).

The annual meeting of the Society of Accountants took place the day after the Institute decided to dig in its heels. The Incorporation Bill was the principal subject of discussion at an animated gathering on 7 May at the Guildhall Tavern, London. The proceedings reveal the degree of pressure on the Institute of Accountants to alter its position. The annual report reiterated the partial character of the Incorporation Bill and the determination of the Society to oppose it through vigorous lobbying. It was intended that if and when the

bill was lost the Society would immediately begin work on framing its own measure for introduction to Parliament in 1880. This would be drafted to attract the support of all accountancy organisations and MPs (*Accountant*, 10.5.1879, p.6).

The scene was fast changing. The President of the Society of Accountants informed the annual meeting that recent negotiations had given cause for optimism that the demands of the Society would be met. Indeed, "Until a few hours ago ... they thought they had reached a point at which they could make an arrangement with the Institute whereby their differences might be reconciled. Unfortunately, the negotiations had broken off, and they were at the same point at which they started". Shortly after the Presidential address the Society's solicitor stood up to report that he had just heard that the Institute of Accountants would concede the changes sought by the Society and thereby make the bill "one of all accountants instead of a particular Institute" (*Accountant*, 10.5.1879, p.6). Despite this, the Society remained suspicious, resolving "That the Council be empowered at their discretion to continue the opposition to the Bill or otherwise, and to accept clauses that may be considered will be sufficient to cover the interest of the members of this Society and the profession generally" (*Accountant*, 10.5.1879, p.7).

The extent to which the Institute of Accountants had performed a *volte-face* since January 1879 can be gauged not only by the presence of its Secretary at the annual banquet of the Society of Accountants on the evening of 7 May 1879 but also from his words when addressing the diners. Howgrave suggested that the Institute had never sought to introduce an exclusivist measure and that legal advice had driven its approach. It was always the Institute's intention to consult the other organisations on the legislation. In its amended form:

The object of the Bill was that all accountants who belonged to any existing society should become members of an incorporated society simply by the expression of their wish. The Council were advised

that it would not be expedient to put into such a Bill the details of amalgamation between the various societies, and that if they did there would be no chance of the Bill passing through Parliament. They therefore went upon the system of taking the Institute as a nucleus around which the other societies might close. He did not think that there would be any insuperable difficulty in agreeing upon the terms in which they should eventually stand together when incorporated into one body, together with all accountants who had been in practice for a certain number of years. There could be no doubt that the Council of the Incorporated Society would consist of members chosen from the existing societies. He did not think, therefore, that there was any likelihood of any great difference of opinion remaining between the Institute and the Society (Accountant, 10.5.1879, p.8).

While the Society of Accountants maintained pressure on the Institute and proved difficult to mollify, the leaders of the Accountants' Incorporation Association had already embarked on an imaginative tactical manoeuvre to secure its aims. On 15 May 1879 *The Times* printed notice of an application to the Board of Trade to license 'The Incorporated Society of Accountants' under the Companies Act, 1867 (MS28405/2, p.44). The moving spirit of this was Edwin Guthrie, who, it should be remembered, with his partner Charles H Wade on 14 January 1879 expressed concern that he (and others) had insufficient personal experience in public practice to gain entry under the proposed rules of the Incorporated Institute.

The Memorandum of Association of the 'Incorporated Society of Accountants' had been signed by its subscribers on 4 April 1879. These were Guthrie and Wade, Joseph Affleck, H Musgrave Briddon, Edwin Whitehead Marshall, Lonsdale Broderick and James Marchanton. All were described as public accountants in Manchester (BT31/2566/13401). The title of the new company was clearly designed to both emulate and compete with the proposed 'Incorporated Institute of Accountants. The claim that the Incorporation Bill was a

unifying measure for the whole profession of public accountants in England and Wales appeared extremely dubious if it gave rise to a separate society.

The objectives of the Incorporated Society of Accountants were cleverly drafted. They combined political aims with erecting the infrastructure necessary to function as a new professional organisation:

- (1) *The support and protection of the character, status, and interests of accountants, the promotion of honourable practice, the settlement of disputed points of practice, and the decision of all questions of professional usage or courtesy in conducting accountancy business of all kinds.*
- (2) *The origination of and watching over, and if necessary the petitioning of Parliament in relation to measures affecting the business of accountants.*
- (3) *The promotion of, or co-operation with other bodies of accountants in the promotion of a bill or bills in Parliament for the special incorporation of public accountants as a profession.*
- (4) *To enter into any arrangement or amalgamation with any other society, institute, or body of accountants associated for similar object.*
(BT31/2566/13401; *Accountant*, 31.5.1879, p.5).

While objectives (2), (3) and (4) threatened the Institute of Accountants with alternative parliamentary measures and alternative sets of organisational allegiances, objective (1) laid the foundations for an enduring professional body which might rival a successfully incorporated Institute. The Accountants (England) Bill would thereby fail to secure the organisation of professional accountants in a single body. The Articles of Association of the Incorporated Society of Accountants provided for a more relaxed basis of entry than the Incorporated Institute and offered the prospect of a substantial membership. Admission would depend on being "in practice as a professional accountant in the UK" at the time of application and on five years' experience *either* as a professional accountant *or* in service of

a professional accountant, “or partly in one capacity and partly in the other” (BT31/2566/13401). Members currently in practice would be deemed Fellows and those who were clerks to public accountants would be Associates. The professional designations of members F(ellow)ISA and A(ssociate)ISA were marginally different to those proposed for the Incorporated Institute. Subscriptions were set low at £2.2s for Fellows and £1.1s for Associates as were entry fees at £3.3s. and £1.11s. 6d. respectively. The Articles of Association also provided that steps would be taken to arrange for the examination of candidates for admission. The governance of the Society was defined as were rules relating to exclusion for misconduct (BT31/2566/13401).

The publicity attending the application to form another organisation for the incorporation of accountants gave Guthrie an opportunity to explain his motives:

... the chief remaining point of difference between the promoters and opponents of the Bill is the “five years clause.”

The loose proposal to “pitchfork” into fellowship without proof of fitness, age or experience, every man who has been denominated an accountant for five years, and to relegate all others to a secondary grade - no matter what their age, experience and fitness may be - is an utterly false basis of status. There was at least consistency in objecting to the admission of Stock and Share Brokers and Estate Agents, as was originally designed; but that section of opponents has been bought off at the price of not only according them the privilege of the highest position, but by the creation of a large pecuniary value in the shape of a license in perpetuity to carry on businesses in conjunction with the profession of accountants, which no future accountant is to be allowed to attach to his practice; while accountants of the truest and most exclusive and extensive practice are to be accorded the lower degree (Accountant, 7.6.1879, p.5).

In response to the proposed 'Incorporated Society of Accountants' the Council of the Institute of Accountants instructed its solicitor to forward an objection to the Board of Trade, "pending the decision of Parliament regarding the Bill now before the House of Lords and without hearing the Institute" (MS28405/2, p.44). *The Accountant* was also dismayed by Guthrie's wrecking tactics given that, following concessions by the Institute of Accountants, the Incorporation Bill was now practically settled. The application to the Board of Trade "would seem to indicate that certain accountants are not prepared to acquiesce in the decision of the bulk of the profession, but are disposed to seek what – in spite of this apparent divergence is evidently a common object, by a different and independent road" (31.5.1879, p.5). It was hoped that this "counter-proposal" would be found unnecessary following further negotiation with the Institute. As the final rounds of discussion with the bill's opponents progressed in haste, both Guthrie and Wade found themselves proposed not only as members of the Incorporated Institute but named among its first councillors.

Discussions in search of a final agreement over the Incorporation Bill continued through May 1879 between the lawyers of the Institute and the opponents of the measure (MS28406, pp.72–73). There were now two points of contention, representation on the new Council and entrance fees. As the largest accountancy body the Society of Accountants sought more seats on the Council. On 26 May the Council of the Institute of Accountants again decided that it could not make further concessions. However, it expressed a willingness to accept that the 20 non-Institute members should be allocated thus: nine from the Society of Accountants, four each from Liverpool and Manchester and three from Sheffield. A deputation from the Society of Accountants was invited to discuss with the Council of the Institute these two remaining points of difference (MS28405/2, p.43). The Secretary of the Institute urged the Society "to fix the earliest date possible as in view of the late period of the [parliamentary] Session it

is of the utmost importance that no time should be lost” (MS28408/3, p.286). The Society recognised its powerful bargaining position given the time constraint. Before agreeing to a meeting A C Harper sought assurances from the Institute that the composition of the new Council was negotiable and that the entry fees for all members of existing societies to the new Institute could be discussed (MS28408/3, p.289). The Institute, conscious of the “impossibility of proceeding with the Bill until it has been ascertained whether the Society intend to withdraw their opposition”, made further concessions (MS28408/3, p.291).

On 16 June 1879 the Council of the Institute of Accountants instructed its solicitor to “make certain suggestions with a view to a compromise” in his discussion with lawyers for the petitioners against the bill (MS28405/2, p.47). Two councillors were also remitted to settle the questions of the composition of the new Council and entrance fees with representatives of the Society of Accountants. On 24 June the Secretary of the Institute informed the Liverpool Society and the Manchester Institute that:

After careful discussion with the petitioners against the Incorporation Bill it has been agreed that the first Council shall consist of 45 members, viz: the present members of the Council of this Institute, 14 members nominated by the Society of Accountants, three nominated by the Liverpool Society, three by the Manchester Institute, three by the Sheffield Institute, Mr E Guthrie and Mr Wade ...

All opposition to the Bill will I believe now be withdrawn and there is some probability of its passing during the present session (MS28408/3, pp.305-306).

Uncomplainingly, the organisations in Liverpool and Manchester duly elected their representatives on the first Council of the new Institute (Book of Proceedings, 30.6.1879; Minute Book, p.296).

The Incorporation Bill was now ready for presentation to the Select Committee of the House of Lords as an unopposed measure.

The Incorporation Bill and bankruptcy law reform

Another advantage of co-operation between the accountancy bodies also became apparent. On 24 March 1879 the Lord Chancellor's Bankruptcy Law Amendment Bill, replete with the offensive provisions on trusteeships which earlier protestations had failed to remove, completed its latest excursus through the House of Lords. The bill was read a second time in the Commons in July following a long debate during which the Attorney-General had been less than generous in his comments about trustees and accountants (*Hansard*, 16.7.1879). The Bankruptcy Law Amendment Bill was now scheduled for consideration by Committee. On previous occasions the major organisations of accountants had lobbied against the offending measure independently. On 25 July the Secretary of the Institute of Accountants now sought united representations. He wrote to the Society of Accountants suggesting a joint conference and his eagerness to co-operate "in endeavouring to get the views of the profession brought before the House of Commons when the Bill is in Committee" (MS28408/3, p.326).

It transpired at this late stage that the Society and the Institute had presented their separate reports and the opportunity to act in concert was removed when the bill was withdrawn on 7 August (*Accountant*, 26.7.1879, p.5; 2.8.1879, pp.4-5). It was also apparent however, that the profession had once more failed to secure the amendment of hostile clauses in proposed bankruptcy legislation. As *The Accountant* later commented, its "formal expressions of opinion have virtually passed unnoticed" (17.1.1880, p. 4). It was also recognised that the threat of reforming legislation was again merely postponed. The accountancy bodies were exhorted to use the intervening period to prepare a cogent

and united case and hope that any bankruptcy measure introduced in early 1880 would be considered by a Select Committee where its views, and those of the wider commercial community, were more likely to be heard (*Accountant*, 16.8.1879, p.5; 17.1.1880, pp.4-5).

Summary

During the winter of 1879 it was clear that while the Liverpool Society and the Manchester Institute agreed with the Institute of Accountants that only *bona fide* public accountants should enter a newly incorporated organisation, there were different understandings in the metropolis and the provinces about what constituted public accountancy and where its boundaries should be drawn. Despite these misgivings in Lancashire and the outright opposition by the Society of Accountants and the Sheffield Institute, the Institute of Accountants proceeded with its Incorporation Bill. The bill was read in the House of Lords on the day after the Bankruptcy Law Amendment Bill in February 1879. The Society of Accountants embarked on a concerted campaign of opposition to the Incorporation Bill. In March 1879 a series of petitions against the measure were formally lodged in Parliament. An attempt by the Institute of Accountants to mobilise support for the bill in Liverpool and Manchester revealed limited commitment to the Institute's cause and disenchantment over its failure to consult the local bodies.

As the Incorporation Bill approached the key Committee Stage in the House of Lords, where its relation to bankruptcy reform and the existence of hostile opposition would be obvious, the Institute of Accountants began to shift its position. Amendments were made to bring the other accountancy bodies within the scope of the bill. The revised Accountants (England) Bill provided that members of the extant organisations who combined accountancy with other occupations would be admitted to the new Institute. However, the continuing

suspensions of the opponents of the bill were aroused when it was revealed that the existing Council of the Institute of Accountants would govern the new organisation. The hitherto unilateral pursuit of the Incorporation Bill by the Institute also caused offence. In April 1879 a conference with the other accountancy bodies, except the Society of Accountants, agreed to render the title of the bill more inclusive and widen membership of the council of the new Institute.

The Society of Accountants and the Accountants' Incorporation Association continued to thwart the Institute's attempts to quell opposition to the bill. The Accountants' Incorporation Association applied to the Board of Trade to establish an 'Incorporated Society of Accountants'. Among the objects of this organisation was the promotion of legislation for the incorporation of public accountants and amalgamation with other bodies seeking the same object. The creation of an 'Incorporated *Society* of Accountants' for professional accountants excluded from the 'Incorporated *Institute of Accountants*' would reveal the exclusive nature of the Institute of Accountants' bill, the existence of opposition to the measure and its failure to achieve a single organisation of professional accountants. Not surprisingly, the leaders of the Accountants' Incorporation Association were proposed as councillors on the new Institute.

Following further amendment of the Accountants (England) Bill the Institute of Accountants considered that by the end of June 1879 opposition to the measure had been withdrawn. It was fully expected that the bill would be passed during the remainder of the parliamentary session. Hence, by mid-1879 the accountancy bodies in England and Wales could reflect on a period of progress toward the object of incorporating and unifying the profession of public accountant.

CHAPTER TWELVE

FROM INCORPORATION BILL TO ROYAL CHARTER, 1879-1880

By the end of June 1879 the accountancy bodies in England and Wales were, in the words of *The Accountant*, satisfied that “the difficulties consequent upon having to deal with the numerous interests of the various societies had been surmounted” (25.10.1879, p.4). Opposition to the Accountants (England) Bill had been quelled. It was confidently expected that the measure would now proceed unhindered through the remaining stages of the legislative process. The next of these stages was the scrutiny of the measure by a Select Committee of the House of Lords.

Lord Redesdale’s intervention

On 15 July 1879 the Council of the Institute of Accountants assembled to hear its solicitor, Markby, report that Lord Redesdale “would not allow the Incorporation Bill to pass unless it was made certain that a Charter could not be obtained” (MS28405/2, p.49). Lord Redesdale, who had introduced the Accountants’ Institute Bill in 1879, was Chairman of Committees in the House of Lords, a position he held with great authority from 1851. In this office Redesdale was *ex officio* chairman of all Lords committees and had general supervision of private bills. Redesdale was extremely influential and “made his powers chiefly felt over private bill legislation. His shrewdness and independence of judgement enabled him to detect the artifices of attorneys and agents, while his dictatorial manner was proverbial”

(Stephen and Lee, 1917, Vol. XIII, p.530). A statement of the objects of the Accountants (England) Bill had been shown by Redesdale to the Duke of Richmond, Lord President of the Council.

On the morning of 15 July, before the Council of the Institute of Accountants met, Markby received a letter from a parliamentary agent which explained "that a charter would probably be granted if applied for" (MS28405/2, p.49). The Council immediately authorised Markby to apply for a Royal Charter following consultation with the solicitor for those who had petitioned against the Incorporation Bill. The radical shift from the pursuit of a bill to application for a charter was accepted by the office bearers of the Institute of Accountants without complaint. It was assumed that as Redesdale was "all-important in these matters" and did not oppose the purpose of the Incorporation Bill (*Accountant*, 25.10.1879, pp.8-9), his intervention offered the prospect of a positive outcome. However, when details of events were revealed to the members of the Institute at a general meeting on 22 October 1879, some of the rank and file asked why the Institute had not applied for a charter in the first place and thereby avoid the heavy expense of devising a bill. Members also asked whether a charter was a weaker measure than a statute. In relation to the first point it was answered that given earlier indications that charters would not be granted after the Companies Act, 1867 it was only by pursuing a bill that the possibility of a charter had materialised. In answer to the second concern, members were assured that "the Charter would embody almost completely the clauses of the Act" (*Accountant*, 25.10.1879, pp.9-10).

It does not appear that the opinions of other supporters of the Incorporation Bill were elicited before it was agreed to advance the new strategy. On 21 July 1879 the Secretaries of the Liverpool Society and Manchester Institute were merely informed:

Lord Redesdale has given it as his opinion that the Bill for forming the Incorporated Institute of Accountants should not be allowed to pass if it is possible to attain the same object by means of a charter

and he has consulted the Duke of Richmond on the subject with the result that it has been intimated to the legal advisers of the Council that a petition for a charter would probably be acceded to. Under these circumstances it has been decided to present to the Privy Council a petition for a charter. Should the petition not be granted Lord Redesdale would then, it is believed, allow the Bill to pass.

I forward herewith six copies of the petition which it is proposed shall be signed by the Presidents of the various Societies. I propose to visit Manchester, Liverpool and Sheffield for the purpose of obtaining the necessary signatures and I shall be obliged if you will kindly make an appointment for me with the president of your Institute for some time on either Friday or Saturday next (MS28408/3, p.318).

The provincial bodies showed little hesitation in agreeing to the charter application. On 24 July 1879 the President of the Manchester Institute was authorised to sign the petition on behalf of the Institute (Minute Book, p.297). The Council of the Society of Accountants also supported this change of tack without complaint (*Accountant*, 8.5.1880, p.5). The pursuit of incorporation *via* this route had been declared in its rules from the outset.

There followed a short delay in preparing the formal petition for a Royal Charter and the Secretary of the Institute of Accountants did not travel to the provinces to collect signatures until over a week later (MS28408/3, p.331). However, by 5 August 1879 the Privy Council had received a petition from William Turquand and others for a “Charter of Incorporation under the title of the Incorporated Institute of Accountants of England and Wales or under any other title which Her Majesty may appoint” (PC9, 1879, 38596). The Privy Council referred the petition to a Committee of Lords in Council on 14 August and two days later requested that the Institute prepare and submit a draft of the charter itself. This request was not discussed

by the Council of the Institute until it next met on 16 October 1879 (MS28405/2, p.53).

Opposition resurfaces

Despite the general support for the pursuit of a Royal Charter, the path to that original objective of the Institute of Accountants in London was not totally smooth. The earlier application of leading members of the Accountants' Incorporation Association to license an Incorporated Society of Accountants under the Companies Act, 1867 complicated the matter. On 16 August 1879 the Board of Trade reminded the Privy Council Office that the application to establish an Incorporated Society of Accountants had not been withdrawn and that the Board had informed the promoters that "the decision [of the Board] must be postponed until the application for a charter has been considered" (PC9, 1879, 38674; 38500). It appears that those who had been dissatisfied with the Incorporation Bill and sought to form a rival incorporated organisation were determined to maintain pressure on the Institute of Accountants or remained anxious about their status when the charter application was processed.

On 22 September 1879 the Board of Trade informed the Privy Council that "A further application having been made for a license under the Companies Act 1867, the Board wish to be in a position to decide the question which is delayed pending the consideration as to the grant of a charter" (PC9, 1879, 38840). The Privy Council Office responded that it had yet to receive a draft charter from the petitioners and was therefore unable to consider the application. The Incorporated Society of Accountants was duly registered under the Companies Act on 4 October 1879 (BT31/2566/13401). When the Council of the Institute of Accountants eventually met on 16 October it was dismayed to learn from a press notice "the formation of a society called the Incorporated Society of Accountants with a list of subscribers headed

by Mr C H Wade". The Council also heard that "the solicitor to the Institute had communicated with Mr Wade's solicitor on the subject" (MS28405/2, pp.53-54).

On 29 October 1879 the draft charter was distributed to the Council of the Institute of Accountants (MS28405/2, p.55). Detailed consideration took place on 5 November. The Council proposed to omit the name of Charles Henry Wade from clause 2 of the draft charter. This related to membership of the first Council of the new Institute. The Council also decided to communicate a number of suggestions for amendment to the Society of Accountants (MS28405/2, p.57). The Council learned that the Privy Council Office were asking for a copy of the draft charter "as soon as possible" (MS28405/2, p.57). The following day the Institute's solicitor, informed the Privy Council Office that it was intended to proceed with the application and a draft charter would be submitted within one week (PC9, 1879, 39029).

This proved overly optimistic as various amendments to the charter were suggested by the provincial institutes. The organisations in Liverpool and Manchester were sent copies of the draft for comment on 30 December 1879 and a swift response was urged. The Secretary of the Institute of Accountants adding that the Privy Council Office had requested that the draft be deposited "at once". It was therefore deemed acceptable to circumvent further discussion "As the charter follows as nearly as possible the lines of the Bill agreed to last session you may consider it unnecessary to call a Council Meeting if the Charter has the approval of your President" (MS28408/3, pp.434-435). The Liverpool Society and Manchester Institute were not, however, to be railroaded in this way. The Liverpooldians raised issues about the classification of members as fellows and associates in the draft, adding that it did not make this distinction among its own members and other country practitioners were not identified in this way. Further, if this classification was to persist then the designating letters of members of the chartered institute should be prefixed by F or A (MS28408/3,

p.441). On 5 January 1880 the Liverpool Society were informed by the Institute of Accountants that the credentials of members of the chartered institute would now be FCA and ACA (MS28408/3, p.447).

Similarly, on 2 January 1880, the Council of the Manchester Institute, having considered the draft charter, resolved that the Secretary "call the attention of the London Institute to there being no penalty for any person using initials other than Members and no distinction of initials between Fellows and Associates" (Minute Book, p.302). The Institute of Accountants responded that a penal clause could not be written in the charter but the new Council might consider a bill to prevent the fraudulent use of the designating letters (MS28408/3, p.446; Minute Book, p.303).

Another source of discontent and delay was emerging in Manchester. The Manchester Institute, which had previously extolled the virtues of measures in the general interest of the profession, displayed an exclusivist tendency in the cases of Edwin Guthrie and Charles H Wade. At a quarterly general meeting of the Manchester Institute on 6 January 1880 the draft charter was discussed. It was resolved "That this meeting sees a strong impropriety in the adoption of two members of one firm, *viz*, Messrs Wade and Guthrie as proposed members of the First Council, neither of them being members of any recognised Institute or Society, and is of opinion that at least two additional members ... should be added on behalf of the Manchester Institute and that the Council be recommended to send a deputation to the London Institute to urge these views" (Minute Book, p.305). It should be noted that Guthrie had been admonished by the Manchester Institute in December 1875. John Thomas, a senior member of the Institute, and his partner Edwin Guthrie, who was not a member, had been investigated by the Institute following a complaint about their charging excessive fees in an insolvency case. The Institute upheld the complaint (Minute Book, pp.161-162).

Knowing that the submission of the draft charter to the Privy Council was imminent, the Secretary of the Manchester Institute sent a telegram to his counterpart in London. This was received “with very great surprise” (MS28408/3, p.449) and elicited a frosty response. Secretary Howgrave wrote on 9 January that the solicitor, Council and President of the Institute in London refused to take action in response to the difficulty in Manchester:

... I am instructed to say that they regret that your proposal to re-open the question of the constitution of the new Council cannot be acceded to, having regard to the facts, that the question was, after much difficulty settled more than six months ago, that your Institute acquiesced in that settlement by appointing three members to act on the new Council ... and that to re-open it at this late period would, in the opinion of the Solicitor of the Institute result in a delay which would be most prejudicial (MS28408/3, p.450).

The Secretary of the Institute of Accountants went on to explain that the new Council was constituted on the same basis as that of the Law Society, *viz*, to ensure that all geographical communities of accountants were represented. Representation was to be 20 from the Institute of Accountants, 14 from the Society of Accountants, three each from the organisations in Liverpool, Manchester and Sheffield, plus Guthrie and Wade. The latter had been added to the new Council not as Manchester accountants but in order to “represent a large number of accountants not members of any society. The addition of three members from each country society was considered to amply secure the adequate representation of local interests” (MS28408/3, pp.451–452). The Institute of Accountants did not wait for further comment from Manchester. On 15 January 1880 prints of the draft charter were sent to the Privy Council Office (PC9, 1880, 39423).

On the same day a special meeting of the Council of the Manchester Institute was convened to discuss the response from London. It was

resolved to express great regret given that objections in Manchester “are of a character so important and so strongly supported ... that the Council have no option left them but that of again pressing their remonstrances” (Minute Book, p.306). The Secretary of the Manchester Institute suggested that the composition of the new Council should be reviewed, that his organisation understood that this subject could be revisited, and that the Institute of Accountants receive a deputation from Manchester “to discuss with them the hindrances to the adoption of the proposed amendments and if possible to adjust the differences at present existing” (Minute Book, p.306).

The response from London was irritated. The Secretary of the Institute explained that the draft charter had been sent to the Privy Council Office which had “already expressed dissatisfaction at the delay which has already occurred” (MS28408/3, p.462). Howgrave also noted that the Manchester Institute had signed the petition for a charter last August and that no objections had been raised by its President or Council until now. Further, given the substantial presence of country members on the new Council there was no justification for two more representatives from Manchester. The Secretary added, “Under these circumstances I think your council can hardly complain of the fact that it has been thought inexpedient to postpone presenting the Charter to the Privy Council in order to re-open a question settled so long ago” (MS28408/3, p.461).

On 3 February 1880 the Council of the Manchester Institute discussed the reply from London on whether “the question of representation could not now be re-opened” (Minute Book, p.307). A special general meeting was called for 13 February. On 11 February the Council of the Institute of Accountants discussed “whether it was possible to take steps to give effect to the wishes of the Manchester Institute without endangering the Charter” (MS28405/2, p.66). On 12 February this question was answered in the negative. Letters were sent to Manchester from the Secretary and solicitor of the Institute

of Accountants which stated that “the answer to the Petition for a Charter was daily expected, and that the reopening of the question of the Constitution of the Council at this time would place insuperable difficulties in the way of either the Charter or the Bill” (Minute Book, p.309; MS28408/3, p.482). Having heard this the special general meeting in Manchester resolved to leave further action to the discretion of its Council (Minute Book, p.310). There the matter appears to have rested, for the time being.

The grant of the Royal Charter

In fact, opportunities to re-open the issue of the composition of the new Council did arise because several changes to the draft charter were required by government departments. Within ten days of receiving the draft charter on 16 January 1880 the Privy Council Office responded that certain amendments were necessary (PC9, 1880, 39423). An amended charter was sent to the Privy Council Office on 10 February (PC9, 1880, 39525) from whence it was forwarded to the Lord Chancellor who approved of the draft subject to further changes (PC9, 1880, 39547). On 18 February an amended draft was submitted to the Privy Council Office and from there it was sent to the Home Office. That department approved the draft on 24 February subject to the inclusion of provisions relating to the appointment of an Institute Secretary (PC9, 1880, 39599). An amended draft was sent to the Privy Council Office on 3 March 1880. This was forwarded once more to interested government departments. The Royal Charter was agreed by the Law Officers on 16 March and the Lord Chancellor on 19 March (PC9, 1880, 39679, 39714, 39952).

On 31 March 1880 the Council of the Institute of Accountants learned that the charter had been approved by the Privy Council on 24 March 1880 (MS28405/2, p.70). A special meeting of the old Institute was scheduled for 28 April to pass a resolution that its funds

would be divided among the members to cover entry fees to the Institute of Chartered Accountants in England and Wales (MS28405/2, p.70). Over the next few days the other organisations, together with Guthrie and Wade, were informed of the good news, with the *proviso* that the charter would not be sealed until certain formalities had been completed (MS28408/3, pp.530-535). It was noted that the first meeting of the new Institute would be convened on 14 April. The new councillors were reminded that under the charter membership of the ICAEW was dependent on payment of an entrance fee. Therefore, councillors should bring a cheque for the appropriate amount. This meeting proved premature as the Council was unconstitutional until the charter had been signed by the Queen and sealed (MS28408/3, p.557, 559, 560).

Even at this late stage, however, the participation of Wade and Guthrie and the composition of the new Council continued to arouse discontent in the north west of England. A W Chalmers, President of the Liverpool Society, questioned the disproportionate number of councillors who were resident in Manchester and Sheffield and the seats allocated to Wade and Guthrie. The Secretary of the Institute of Accountants informed Chalmers on 9 April 1880 that although these gentlemen were resident in Manchester they did not represent the Manchester Institute. Howgrave reminded Chalmers that "The selection of the Council was a matter of great difficulty and ... I can show you that the matter was eventually settled in the best way possible under the circumstances" (MS28408/3, p.553).

Ongoing acrimony between the Manchester Institute of Accountants and Wade and Guthrie was made embarrassingly public at the very moment the press proclaimed the award of the charter. In its morning edition of 1 April 1880 the *Manchester Guardian* reported that the Royal Charter had been approved following a petition by the presidents of the six organisations of accountants. C R Trevor, the Secretary of the Manchester Institute, hurriedly prepared a letter

of correction which was printed in the second edition of the same day (p.7). Trevor explained that the petition actually named only five organisations, that the Accountants' Incorporation Association was not mentioned in the charter and, unlike the other bodies, its members would not be automatically admitted as fellows and associates of the ICAEW (see appendix D). A response from Guthrie, printed the next day, revealed Trevor's captiousness. Guthrie argued that Trevor's letter had been written "for the mere purpose of claiming influence for the Manchester Institute of Accountants", an influence which it had not displayed. Guthrie explained that there was no reason for the Accountants' Incorporation Association to be mentioned in the charter because the organisation:

... existed only for a specific and not for continuing purposes and those objects having been most satisfactorily accomplished (without any thanks being due to the mild energies of the Manchester Institute for the result), nevertheless Mr. Wade and myself are made members [of the ICAEW] by virtue of our election as representatives of the Accountants' Incorporation Association ... and without doubt the influence of the Accountants' Incorporation Association has been of a potential character in the settling of the terms of the charter, as indeed is obvious to those who have taken an active part in the matter.

It would have been much more to the dignity of the profession that anything like a controversy between its several representative bodies should have been avoided; but should it be called for, I shall readily accept the situation as representing an Association comprising about 90 members, and which has during its brief and active career expended a large sum of money in the attainment of its object (Manchester Guardian, 2.4.1880, p.3).

Notwithstanding discord in Manchester the formal processes for the grant of the charter continued. On 5 May the Secretary of the Institute of Accountants reported to A C Harper of the Society

of Accountants: "I have today heard that the Queen's Warrant countersigned by the Secretary of State was received at the Home Office on 3rd inst. It was to be forwarded yesterday to the Privy Seal Office from whence it will be sent to the Great Seal Patent Office and as soon as the Letters Patent are prepared and dated they will be sent to the Home Office" (MS28408/3, p.586). Ten days later the Secretary of the Institute wrote to inform Harper that the charter, dated 11 May, had been received and the first meeting of the Council would take place on 26 May (MS28408/3, p.615; MS28411/1). The Royal Charter is reproduced in appendix D.

The Incorporation Bill, 1880

Although the intervention of Lord Redesdale and the Lord President had suggested there was every prospect that the application for a Royal Charter would be successful, the Institute of Accountants remained a little uneasy. Even before the draft charter was submitted, its Council decided to re-introduce the Incorporation Bill, as amended in 1879 (MS28408/3, p.500), "in view of the possibility of the charter being refused" (MS28405/2, p.61; PC9, 1879, 39210). The Secretary of the Institute of Accountants expressed the view that there was "little doubt" that if the charter were not granted, the bill would be passed (MS28408/3, p.412). On 19 November 1879 solicitor Markby was instructed to arrange a notice in the *London Gazette* of the Institute's intention to present the bill (MS28408/3, p.386). On 2 February 1880 the Council of the Institute learned that Sir John Lubbock had again agreed to take charge of the bill in Parliament (MS28405/2, p. 62; MS28408/3, p.465). The bill for "incorporating members of certain Societies of Accountants and other Public Accountants", the Accountants Institute Bill, was read for the first time in the House of Lords on 10 February 1880 (*Journal of the House of Lords*, 1880, p.15). The second reading of the bill was subsequently deferred several times.

It was eventually discharged on 22 March 1880 (*Journal of the House of Lords*, 1880, pp.23, 45, 103, 116).

Although it was only an insurance against a failed charter application the bill attracted favourable comment in the journals of the legal profession. Here was an attempt to address the long complained of incursion of *soi-disant* accountants in the rightful domain of solicitors. In January 1880 *The Law Times* stated:

In recent years the number of accountants in England has been largely increased by persons who are not only thoroughly incompetent to exercise their calling, but who, by their improper and dishonourable conduct, have brought no little discredit on the general body of the profession; and if it should be found practicable to carry out the proposals of the society as regards English accountants, such persons would be very probably prevented from exercising an important calling, for which they are both morally and intellectually unfitted (quoted in *Accountant*, 31.1.1880, p. 10; 13.12.1879, p.8).

The Accountant affirmed that membership of an incorporation of accountants and the use of defining credentials would “draw lines of demarcation between persons who are, and persons who are not, properly speaking, ‘accountants’”. This had long been the case with accountancy profession in Scotland (31.1.1880, p.4).

Chartered accountants and bankruptcy trusteeships

News that the Royal Charter had been approved by the Privy Council was favourably reported by the press. Two principal and related themes emerge from reports of reactions to the charter. Firstly, reputable accountants would now be distinguished from ‘so-called’ accountants. Secondly, the desirability of confining insolvency trusteeships to members of the ICAEW. The latter was deemed a possibility when the government next addressed bankruptcy law reform.

Mansfield Parkyns, the Comptroller in Bankruptcy, referred to both these themes in his annual report for 1879, published in July 1880. Having once more railed against continuing abuses under the Bankruptcy Act, 1869 Parkyns departed from his customary antagonism towards accountants and spoke favourably about the new Institute:

I need not explain that these remarks apply chiefly to the smaller class of insolvencies, and to the class, but unfortunately a very numerous class, of professional agents; the larger insolvencies are generally placed in the hands of respectable solicitors and accountants, but the present system leaves the thousands of smaller cases to be, so to speak, scrambled for, and in such a scramble the most unscrupulous are generally the most successful.

If any evidence were needed of the prevalence of such abuses, or of the strong feeling against them entertained by respectable accountants, it may be found in the fundamental rules of the charter recently obtained by the Institute of Accountants in England and Wales, which at least offers to creditors an opportunity of selecting their trustees, if they will, from persons qualified by experience or education, and amenable to rules of conduct (General Report, 1880, pp.5-6).

The Accountant observed "It is not hazardous to predict that if creditors can be induced to exercise the means of discriminating now at their disposal, in the manner indicated by the Comptroller, [the] annual references to the misdoings of professional trustees ... will gradually disappear" (31.7.1880, p.4). In fact, support for the registration of professional trustees as a means of excluding unqualified "adventurers" from trusteeships had been gaining ground among the Comptroller's staff for some time. In autumn 1879 George Wreford of the Comptroller's department advocated this in a prize essay on insolvency and the legal profession (*Accountant*, 4.10.1879, pp.4-5).

On the award of the Royal Charter *The Accountant* stated that "The importance to the profession at large of this recognition cannot well

be exaggerated. In addition to the formal public status thus attained, it will enable the leading members of the profession to legislate for the welfare of the body corporate, and will render practicable the exercise of necessary disciplinary powers; and above all, it will give the public and the press certain means of distinguishing between competent and reputable accountants, and those outsiders who figure in the newspaper reports ‘described as accountants’” (3.4.1880, p.3; 10.4.1880, pp.3-5). Alluding to the more immediate objective, capturing a monopoly of insolvency work for professional trustees, *The Accountant* stated “It is to be hoped that, when the Select Committee upon the several Bankruptcy Bills now before the House shall have completed its labours, and a Government measure shall be brought forward, it will be found that the responsible duties to be performed under it by receivers and trustees shall be allowed to be undertaken only by chartered accountants” (26.6.1880, p.10; 17.7.1880, pp.4-5; 24.7.1880, p.3).

There was some cause for optimism in this respect and indications that the unified accountancy organisation was finally impacting on bankruptcy reform. The government’s Bankruptcy Law Amendment Bill, and the chambers of commerce Bankruptcy Act (1869) Amendment Bill, were read in the House of Commons in February 1880. The long promised Select Committee was nominated to scrutinise both measures. The government’s bill was considered less offensive to accountants on this occasion: it was declared to be an amending measure and adhered to the principle of creditor control. However, the Bankruptcy Law Amendment Bill did retain the scale of trustees’ remuneration which accountants considered inadequate, and the abolition of liquidation by arrangement (*Hansard*, 6.2.1880, 12.2.1880; *Accountant*, 14.2.1880, pp.10-12; 21.2.1880, pp.4-5; 6.3.1880, pp.4-11; 24.4.1880, pp.4-5; 15.5.1880, pp.3-5).

When the Select Committee met in March 1880, Samuel Morley, MP, Chairman of the Mercantile Law Amendment Society, an organisation which had been hostile to the interests of accountants in

the past, proposed a new clause. This was to the effect that "No person shall act as a professional trustee until he shall have obtained in the prescribed manner a certificate of registration from the Comptroller in Bankruptcy". The new Institute, when chartered, could reasonably expect the inclusion of the names of its members in "The Register of Professional Trustees" (Special Report, 1880a, p.ix). Indeed, there is some evidence to suggest that the Secretary of the Institute of Accountants had discussed the subject with Morley, who, it will be recalled, had been communicated with by the Institute in December 1879 concerning the Comptroller's return on defaulting trustees (MS28408/3, p.575). The prospect of this amendment being enshrined in new bankruptcy legislation was, however, frustrated when the work of the Select Committee was unexpectedly halted. The Prime Minister, Disraeli, announced a dissolution of Parliament in March (*Accountant*, 13.3.1880, pp.4-11). The resultant general election in April changed the political landscape. The Conservatives lost 111 seats. The formation of Gladstone's Liberal administration in April 1880 set the scene for the eventual passing of the Bankruptcy Act, 1883.

Although the new Liberal Government did not intend to introduce a bankruptcy bill in 1880, certain parliamentarians continued their efforts to secure reform (*Accountant*, 29.5.1880, p.3). When Parliament reassembled three bankruptcy bills were introduced in May and June 1880. Of these Samuel Morley's own Bankruptcy Bill (1880), which sought to remedy the worst abuses arising from the 1869 Act, was considered most likely to progress (*Accountant*, 3.7.1880, p.3). Clause 22 of Morley's bill enshrined his earlier suggestion of a Register of Professional Trustees. *The Accountant* noted that "If a certificate be thought necessary the matter can be simplified by declaring at once that the applicant must as a *sine qua non* be a chartered accountant. This could not operate to the hardship or exclusion of any competent accountant" (3.7.1880, pp.4-5). The Council of the newly chartered institute were exhorted to pursue the case.

The Accountant considered that the office of the Comptroller in Bankruptcy and the promoters of the Bankruptcy Bill were sympathetic to the idea of confining trusteeships to members of the ICAEW. If pressed sufficiently this might become established as a principle in future bankruptcy legislation should Morley's bill fall, which it eventually did (10.7.1880, p.4; 24.7.1880, pp.2-3; 6.11.1880, p.5). The minutes of the Council of the ICAEW reveal that this advice was taken. At a meeting on 7 July 1880 the Council heard a communication "from Mr Bolland [of Liverpool] suggesting that a letter should be written to the Comptroller asking him to suggest to the promoters of the Bankruptcy Bill that professional trustees should be restricted to chartered accountants". The Council was also informed about a letter which the Secretary "had written to the Comptroller after consultation with the president". The Comptroller had replied "that he had made the desired suggestion" (MS28411/1, p.20).

The extant bankruptcy bills were considered by a Select Committee. On 24 July 1880 *The Accountant* reported that in Select Committee Samuel Morley supported an alteration which "would in effect provide that membership of the Chartered Institute shall be *sine qua non* in respect of registry as a professional trustee" (p.3). However, the ICAEW's immediate hopes were dashed when the Select Committee reported in August that the government should postpone the introduction of a measure for bankruptcy reform until the next parliamentary session (Special Report, 1880b).

Subsequently, the ICAEW continued to argue that trusteeships be restricted to professional accountants. However, when a Bankruptcy Act was eventually passed in 1883 it contained no such requirement (Markham Lester, 1995, p.201). The minister responsible for the legislation, Joseph Chamberlain, the President of the Board of Trade, considered that the organised accountancy profession in England and Wales was not sufficiently mature to be awarded such a monopoly (*Accountant*, 5.5.1883: 10).

The charter, 'so-called' accountants and occupational differentiation

As seen previously, the national and provincial press had been a vehicle for much generalised vitriol against 'accountants' during the 1870s. Following the grant of the Royal Charter *The Accountant* reproduced a number of positive reactions from the newspapers. These all emphasised the fact that the public could now identify the professional from the non-professional accountant. References were made to the opportunity now presented to eradicate "the charlatans who have usurped the title Public Accountant", and to counter the perception that accountancy was "a refuge for the destitute" (24.7.1880, pp.8-9; 14.8.1880, p.9). Indeed, *The Accountant* declared that it would no longer print cases reported by the media of the misdemeanours of so-called accountants who belonged to no professional body, adding that with the charter in place this was unnecessary, all that need be stated in future was that the offending 'accountant' was not a member of the ICAEW (2.10.1880, pp.4-5). The *Citizen* expressed the hope that "in a few years no accountant will be recognised as such unless he is an affiliated member of the Institute, just as at present a solicitor must be on the rolls, and a medical man accredited by a diploma" (quoted in *Accountant*, 24.7.1880, p.9).

Even the media representing the legal profession expressed support. In a radical departure from its previous derision of accountants. *The Law Times* went so far as to recommend that as the public could now distinguish the *bona fide* accountant from the unscrupulous pretender and "the status of public accountants being thus established, it would constitute a valuable feature in the promised Bankruptcy Amendment Act to provide that no other person than a member of the Institute shall be permitted to act as receiver or trustee" (*Accountant*, 14.8.1880, p.9). *The Times* made the same point: "The abuses complained of in regard to the appointment of trustees in bankruptcy and liquidation would

in all probability cease to exist if it were provided in the Bankruptcy Bill which will be brought forward by the Government next session that no person should act as a professional trustee unless he were a member of the Institute” (12.8.1880, p.10).

The theme of professional demarcation was also to the fore at a buoyant final annual meeting of the Institute of Accountants on 28 April 1880. Frederick Whinney, who had earlier doubted the value of a charter compared to statutory registration, stated that each member of the Institute would be identifiable as a ‘chartered accountant’, and “would have certain distinctive marks attached to his name. Thus a broad distinction would be drawn between the real members of the profession, and those untrained and incompetent persons who now so frequently announced themselves as accountants” (*Accountant*, 1.5.1880, pp.5-6).

Celebrations continued at the annual meeting of the Society of Accountants on 5 May 1880, the good humour enhanced by the receipt during the meeting of Howgrave’s letter informing the Society that the Queen’s Warrant had been received by the Home Office (*Accountant*, 8.5.1880, p.7). Speakers referred to achievements made through co-operation with the Institute of Accountants; a newly united profession; and members could take great satisfaction from the knowledge that “they are now enrolled as chartered accountants” and thereby distinguished from the disreputable. It was noted that opposition to the Incorporation Bill in 1879 had been a drain on the Society’s funds and there remained £1,200 to distribute to members on the dissolution of the Society. President John U Wing, who, incidentally, was committed to seven years’ penal servitude for forgery and fraud in 1882, “thought they must all congratulate themselves on the success they had obtained in at last procuring official recognition for their profession. They looked upon themselves as respectable men, and they wished the public to do the same” (*Accountant*, 8.5.1880, pp.5-6). As he had in 1879, Howgrave, the Secretary of the Institute, addressed

the annual dinner. In relation to the charter he stated "The ultimate consequence would be to prevent the misdemeanours of so-called "accountants" from being placed at the door of real accountants ... He was glad to see that already in some official quarters there was more disposition than before to discriminate between real accountants and mere impostors" (*Accountant*, 8.5.1880, p.7).

Other developments and windings-up

As the award of the Royal Charter became public knowledge during the spring of 1880 the Institute of Accountants in London received a considerable number of inquiries about the conditions of entry to the new organisation. As in 1872, James Meston, Secretary of the Society of Accountants in Aberdeen, asked whether accountants practising only in Scotland would be eligible for admission. Meston was informed on 8 April 1880 that "it is clearly defined that practice or service as an Accountant means practice or service in England and Wales and therefore a Scottish accountant will not be eligible for membership unless he has also a business in England or Wales" (MS28408/3, p.546).

There were 600 founder members of the ICAEW. Among them were 96% of the members of the Institute of Accountants, the Society of Accountants, and the bodies in Liverpool, Manchester and Sheffield (Boys, 2004). The Institute of Accountants and the Society of Accountants in England were wound-up. On 29 July 1880 a special general meeting was held to distribute the assets of the Institute. The cost of gaining the charter and pursuing the Incorporation Bill in 1879-1880 was £2,300. It was decided to: return to the members their entrance fees less that necessary for admission to the new Institute; return the last annual subscription; pay £200 to Messrs Gee & Co. for services rendered to the profession through *The Accountant*; award £200 to the Secretary of the Institute for special work in relation to the

charter; and apply the balance of funds to the costs of winding-up and establishing a Library for the new Institute (MS28404, pp.128-129).

In the provinces the desire to maintain local organisations remained strong despite the inclusion of the memberships of the northern bodies in the new chartered Institute. The Sheffield Institute of Accountants was reconstituted as the Sheffield Incorporated Society of Chartered Accountants on 29 June 1882 (*Memorandum and Articles*, 1882; Hoe, 1977, pp.14-15). Membership was confined to Fellows and Associates of the ICAEW. In March 1882 the Liverpool Society determined to continue under revised rules and in 1887 was renamed the Liverpool Society of Chartered Accountants (Hargreaves, 1970, pp.4-5). The Manchester Institute was frustrated in discussions with London about the prospect of becoming an affiliate of the ICAEW as the Manchester Institute of Chartered Accountants (Minute Book, pp.332-334, 338, 341). In late March 1881 an approach was made by Lonsdale Broderick, Honorary Secretary of the Incorporated Society of Accountants, asking whether the Manchester Institute would contemplate “the formation of a Society on the basis of receiving all Chartered Accountants in Manchester & district” (Minute Book, pp.342-343). This idea was received favourably and on 7 April 1881 a general meeting of the Incorporated Society agreed to the rules of the new organisation (Minute Book, p.347). The following day the annual meeting of the Manchester Institute approved the amalgamation as The Manchester Society of Chartered Accountants (Minute Book, p.349) and determined to wind-up the Manchester Institute of Accountants.

The decision by the Manchester Institute to bury earlier grievances and amalgamate with the Incorporated Society of Accountants, which it will be recalled had been comprised of Manchester accountants, was indicative of the sea change which had taken place in the profession in 1880-1881 and the role of the Incorporated Society in engineering it. In spring 1879 the active members of the Accountants’ Incorporation

Association - Edwin Guthrie and Charles H Wade - had employed the successful tactic of formally establishing a competitor Incorporated Society of Accountants. The prospect of their membership of the Council of the ICAEW had outraged other Mancunian accountants. However, Guthrie and Wade had successfully achieved their objectives. Its work done, notification was given in the *London Gazette* of the winding up of the Incorporated Society of Accountants on 1 July 1881. Due to an administrative oversight the organisation was not formally dissolved by the Registrar of Companies until 19 August 1887 (BT31/2566/13401).

Summary

Expectations in June 1879 that an incorporation bill, agreed by all the accountancy organisations, would be passed soon were frustrated by the intervention of Lord Redesdale. The powerful Chairman of Committees in the House of Lords decided that the bill would not proceed unless an application for a Royal Charter was made and proved unsuccessful. The Institute of Accountants expeditiously pursued this change of course. In early August 1879 a petition for an Incorporated Institute of Accountants of England and Wales was submitted to the Privy Council Office. However, a draft charter was not presented until 15 January 1880. Matters had been complicated by the formation of the threatened Incorporated Society of Accountants and discussion of concerns raised in Liverpool and Manchester about provisions in the draft charter relating to the credentialing of members of the new Institute and the inclusion of Edwin Guthrie and Charles H Wade on its Council.

The Royal Charter was approved by the Privy Council on 24 March 1880 and the Queen's Warrant was received on 3 May. The Incorporation Bill was reintroduced to the House of Lords as security against a failed application for a charter. The grant of the Royal Charter

offered the possibility that those it incorporated would be favourably considered in the government's latest bankruptcy bill. There was increasing support for the idea that insolvency trusteeships should be confined by statute to professional accountants. The dissolution of Parliament and the defeat of the Conservative government in spring 1880 frustrated this possibility. Despite the change of administration a number of bankruptcy bills remained on the parliamentary agenda. These included a measure containing a provision for the creation of a 'Register of Professional Trustees'. Efforts were made by the Institute to ensure that trusteeships were restricted to chartered accountants. However, in August 1880, a Select Committee on the bankruptcy bills recommended that the Liberal government postpone reform.

In 1870 and 1871 the implementation of the Bankruptcy Act, 1869 had encouraged the formation of local organisations of accountants to differentiate the professional accountant from the pettifogging intruder. Through the 1870s the disparate accountancy organisations failed to prevent the emergence of a class of *soi-disant* accountants who competed for insolvency clientele and whose activities brought discredit on organised and unorganised practitioners alike. The formation of the ICAEW, a single, national professional body, conferred with an elevated status by the state and whose members assumed distinctive credentials, now offered the prospect of a more enduring solution to the problem of occupational differentiation. Those who had been publicly hostile to accountants during the 1870s now extolled the virtues of the chartered institute. The public would finally be able to identify the qualified and reputable practitioner from the quack accountant.

With the creation of the ICAEW the Institute of Accountants and the Society of Accountants in England were dissolved. The city-based organisations were reconstituted as societies of local chartered accountants. The Manchester Society of Chartered Accountants was formed following the merger of the Manchester Institute of

Accountants with its former adversary, the Incorporated Society of Accountants.

CHAPTER THIRTEEN

CONCLUSIONS

The grant of a Royal Charter incorporating the ICAEW in May 1880 was hailed as a considerable achievement. This chapter explores how the fractured profession of public accountancy in England and Wales achieved unification. It is argued that the most significant factors which encouraged this transformation was the widespread desire for organisational change, the presence of compelling external stimuli in the form of threats to the profession, the alignment of unification with the public interest, and a number of circumstances which ensured that the organisation promoting the measure for restructuring was compelled to retreat from an exclusive concept of professional boundaries.

From institutionalised sectionalism to unification

During the 1870s the accountancy profession in England and Wales was characterised by structural and ideological divisions. David Chadwick, the first President of the Manchester Institute of Accountants, referred to these during the initial flourish of organisation in 1870. Chadwick considered that accountants were wracked by “jealousies and rivalries”, “feuds and competitions” and he identified the existence of “cliques which afflict both the profession and their clients”. The competition for clientele encouraged “professional intolerance and cupidity” (*Law Times*, 31.12.1870, p.166).

Perhaps the deepest fault line dividing accountants in England during the mid-Victorian period was that which separated London and provincial practitioners. When reading the records of the Institute

of Accountants (in London) one is struck by the classification of the profession into public accountants in the metropolis and a residual, identified collectively as 'country accountants'. This taxonomy was not founded purely on geography. The large, successful London firms of public accountants looked askance at those within their locality and beyond who perceived that 'trade' activities such as broking, agency and collection were within the orbit of professional practice. When the English profession of the 1860s and 70s is viewed from a vantage point in the provinces as opposed to the capital, local variations in professionalism also become apparent among the cities in the north, especially in relation to proximities to the legal profession and notions of the compatibility of share and stock broking with the practice of public accountancy.

The organisations of accountants which were founded separately in Liverpool, London and Manchester in 1870 and 1871 appeared to institutionalise these sources of divergence. The organisational pattern was resonant of the city-based structures established in Edinburgh, Glasgow and Aberdeen during the 1850s and 1860s. These too had reflected the perceived differential statuses of accountants in the north, east and west of Scotland (Walker, 1988, pp.12-22). The appearance of the Society of Accountants in England in 1872, a nationally organised rival of the London Institute in particular, compounded the fractured organisation of the profession south of the border. It also pointed up the discordant ideologies of the accountancy bodies. The moralistic altruism and exclusivity of the Institute of Accountants in London contrasted starkly with the inclusivity of the Society and its comparatively egotistical concern with base matters such as remuneration. The meritocratic ideals and energy of the Manchester Institute were dissimilar to the traditionalism and inactivity of the Liverpool Society. These differences were reflected in diverse approaches on how best to advance the profession and in styles of defending its interests. The Institute of Accountants was aloof and

passive, the Society of Accountants, and to some extent the Manchester Institute, was animated and assertive.

Not surprisingly, in 1877 *The Accountant* referred to accountancy as a profession characterised by ‘internal dissensions’ and ‘sectionalism’ (24.2.1877, p.4). In 1870 these animosities, jealousies and varying concepts of accounting professionalism had impeded the creation of a single national organisation in England and Wales. It was, therefore, quite extraordinary that in 1879–1880 differences were subsumed by the greater desideratum of a national organisation recognised by the state.

At the half yearly general meeting of the Institute of Accountants on 22 October 1879 the chair was taken by William W Deloitte. He explained to the meeting that the Institute’s objective had been to pursue an incorporation bill. The intervention of Lord Redesdale had resulted in an application for a Royal Charter. Deloitte revealed that the path had not been smooth:

... considerable difficulties to contend with, inasmuch, as there were in existence several institutes and societies, each of which had its own particular views as to the clauses which should be introduced into ... an Act of Parliament. But at length they had succeeded in overcoming all these difficulties, and in agreeing upon clauses which were acceptable to all the parties concerned. The opposition was, therefore, withdrawn and the Council were in full expectation that the Act would be passed (Accountant, 25.10.1879, p.10).

Deloitte reported that “the numerous interests of the various societies had been surmounted”. Further, the end result was the achievement of “something like unanimity in the profession, as to the objects to be obtained and the modes of obtaining them” (*Accountant*, 25.10.1879, p.4). The transformation of a localised and fractured profession into the ICAEW was achieved within a decade. In Scotland the same process, as manifested in the creation of The Institute of

Chartered Accountants of Scotland in 1951, took a century. The formation of the ICAEW represents the antithesis of several subsequent, largely unsuccessful, attempts to unify the profession. How can this exceptional achievement be explained?

A widespread desire for change

A characteristic of attempts at rationalisation during the twentieth century was the absence of a widespread desire for change. In contrast, during the 1870s in England and Wales there was a groundswell of support for integration. Calls for the recognition of the Institute of Accountants and the attendant reorganisation of the accountancy profession recurred through the 1870s. Certainly, the Manchester Institute had decided by 1873 to entrench localism and attempted to form a regional society once the London Institute failed to establish truly national structures during the early 1870s. However, whereas later campaigns for unification aroused dissenting voices these were difficult to find in the 1870s.

David Chadwick called for a 'central' organisation as early as 1870, *The Accountant* consistently advocated unification from its appearance in 1874. Letters to *The Accountant* argued for the same. The desire for a national profession can be measured by the universal approval for the Institute of Accountants' declaration in 1878 that it had finally determined to incorporate and to do so in a way which was in the interests of the whole profession. When the details of the Institute's plan were disclosed suspicion and outright opposition emerged but no one questioned the desirability of organisational change itself. Hence, while the character of the Incorporation Bill may have reflected the Institute's objective to assert its supremacy in the English accountancy profession, the responses of the other organisations to this opportunity to secure wider organisational change were such that the Institute was

unable to prevent its bill becoming metamorphosed from an 'exclusive' measure to one embracing all extant accountancy organisations.

Later schemes for the rationalisation of the accountancy profession were seemingly motivated by vainglorious office bearers determined to discover solutions to a key structural problem. Integration schemes tended to emerge from organisational elites disconnected from rank and file opinion. In many respects the events in the English profession during the 1870s represented the opposite. Until his resignation in 1877 the President of the Institute of Accountants and certain of his fellow councillors did not prioritise wholesale restructuring. In fact the traditionalist office bearers incurred the wrath of the rank and file for *not* actively pursuing the better organisation of their own Institute let alone wider schemes. The metamorphosis of the Institute of Accountants in London to the Institute of Accountants in 1872 represented anything but a determined attempt to create an inclusive national body. Only limited efforts appear to have been made by the Institute to gain a Royal Charter following the initial negativism of the Board of Trade in 1870. Opportunities for the Institute to gain advantage in the appointment of bankruptcy trustees in 1874 seem not to have been vigorously pursued.

Later, the institutionalised elite of the Institute of Accountants was wrested from its lethargy by resignations, the strength and display of rank and file opinion and alterations to the rules. Thereafter organisational change and concern for the fundamental interests of the wider membership were placed more firmly on the Institute's agenda. The Incorporation Bill was not so much the result of an attempt by office bearers to secure personal glorification but a response to the persistent demands of the members that the Institute actively pursue the interests of those who saw little return for high entrance fees and subscriptions. It should also be stated that in the context of predominantly local organisations with memberships numbering two or three digits, the distance between office bearers and the rank and file was not so great as it was to become during the twentieth century.

A compelling external stimulus

What motivated this widespread desire for organisational change in the English accountancy profession during the 1870s? In a previous monograph Shackleton and Walker (2001, p.281) contended that "The results of historical research suggests that voluntary integration is unlikely to be achieved in the absence of a compelling external stimulus which threatens the whole or a substantial part of the disparate community which is the UK accountancy profession and thereby incites universal demands for change". Throughout its history the accountancy profession has found itself periodically under fire. The extent of institutional responses to criticism have tended to vary according to the nature of the conflict and the intensity of the assault. Organisation and organisational change is more likely when it is directed towards, and has likely impacts on, the economic and social status of practitioners. During the 1870s professional accountants found themselves under a prolonged siege from a range of powerful external sources.

The barrage of criticism emerged as a result of accountants' involvement in insolvency administration under bankruptcy and companies legislation. In particular, their role as trustees under the defective Bankruptcy Act, 1869. Practices such as touting, high fee charging and undistributed dividends attracted adverse comment from the judiciary, the chief official in the bankruptcy system, parliamentary select committees, the press, the commercial and mercantile lobby, and the legal profession. The result of this widespread animadversion was the government's framing of a new bankruptcy bill. The measure was introduced each year from 1876 and contained provisions concerning the appointment and remuneration of trustees which were hostile to the interests of accountants. Moreover, each time the bill was reintroduced the various organisations of accountants failed to secure the removal of offending clauses or halt the apparent drift from creditor control to

officialism. As political bodies the disparate accountancy organisations were shown to be largely ineffective. Each petitioned government separately. There were also times when the localised organisation and lack of co-ordination of the senior institutes in Liverpool, London and Manchester served as structural and geographical impediments to united action during the mid-1870s. The formation of a single national organisation offered the prospect of a more compelling voice when lobbying government.

There was a further dimension to the external assault on accountants. It was largely indiscriminate. The Bankruptcy Act, 1869 had encouraged the emergence of increasing numbers of 'so-called' accountants. These not only competed with professional men for work but their unscrupulous behaviour became a focus for the vilification of all 'accountants'; members of professional organisations or otherwise. This revealed that the professional bodies formed in 1870-1872 had not achieved the occupational differentiation they were designed to secure. It also showed the need for improved institutional structures to protect and distinguish the professional from the 'counterfeit' accountant. Unlike some later threats to accountants this one impacted on all practitioners involved in insolvency work, regardless of their location or the organisations to which they belonged.

Organisations reconstruct group identities and the boundaries of similarity and difference between members and those outside. In 1870-1872 the members of the local and national organisations of accountants had each institutionalised identities which were distinctive in relation to notions of professional work, geographical location and ideology. The creation of the ICAEW and the granting of a Royal Charter offered professional accountants in England and Wales a new collective identity and set of allegiances. It created the English chartered accountant, with distinctive credentials to ensure demarcation from the *soi-disant* accountant in the market place and wider society.

The severity of the threats to the profession during the 1870s and the widespread desire to implement new structures for its protection had another impact when discussions proceeded over the details of organisational change. Issues of great importance to one of the participants was shown to be incidental to the achievement of the greater goal. For example, the prize of a Royal Charter was not to be thwarted by Mancunian objections over the inclusion of Edwin Guthrie and Charles H Wade on the first Council of the ICAEW.

In addition to the potent threats to professional accountants in England during the 1870s it should also be stated that there were opportunities which may have contributed to the desire for unification and state recognition. By 1878 it was noticed by some that a single, national, representative organisation of accountants might secure certain advantages. Specifically, bankruptcy legislation might confine trusteeships to its members. There was also the possibility of legislation for the audit of local authorities and a suggestion in the wake of the City of Glasgow Bank crash, that the compulsory audit of banks might be statutorily confined to qualified men.

Alignment with the public interest

The widespread criticism of accountants in bankruptcy administration had the beneficial consequence that when the profession responded by devising proposals for organisational change, these attracted widespread support. The Royal Charter and the formation of the ICAEW was clearly in the interest of established accountants. It was a means of establishing lines of demarcation between themselves, lawyers and charlatan accountants; and a more effective vehicle for defending and promoting their interests before bankruptcy officials and the government. The national chartered institute was also perceived as being in the public interest. This was displayed in the responses to the granting of the charter by former critics such as the Comptroller

in Bankruptcy, the legal profession and the press. Subsequent schemes for the rationalisation of the accountancy profession were not always so convincing in this respect. Organisational change in the twentieth century was often perceived as offering advantages to accountants but not the public.

Ensuring inclusivity

Attempts to unify the accountancy profession in the UK have also tended to encounter another difficulty – the manner in which reforms pursued by the dominant London profession have been insufficiently sensitive to the concerns of organisations beyond the metropolis. An arrogant disregard for those considered of inferior status and a lack of consultation with those outside the capital has encouraged suspicion and entrenched opposition to proposals for change. Indeed, during the late 1870s this was displayed in the contents of the early Incorporation Bill, the Institute of Accountants' initial determination to restrict the boundaries of the new organisation to what it described as '*bona fide* public accountants', and by complaints of the other accountancy bodies that they were not sufficiently consulted by the Institute of Accountants following the meetings of January 1879.

On this occasion however, the Institute in London was forced to shift from the pursuit of hegemony and the exclusivity displayed in its Incorporation Bill. The Institute was compelled to produce a measure which encompassed all professional bodies, and moved the boundaries for entrance to the new institute beyond the narrow concept of '*bona fide* public accountant' to include those engaged in broking and debt collection. The move to inclusivity stemmed from the parliamentary strategy pursued by the Institute of Accountants. This provided opportunities for opponents of the Incorporation Bill to secure radical amendments. Further, some of the opponents of the Institute's plan, the leaders of the Society of Accountants and the

Accountants' Incorporation Association in particular, displayed great acuity in ensuring that their demands were satisfied. The strength and character of the opposition ensured that the Institute of Accountants had to depart from exclusivity if it was to succeed in achieving incorporation for itself.

The Institute of Accountants had sought to achieve reorganisation through a private bill for incorporation. This device ensured that the chances of securing a measure perceived to be in the interests of the Institute alone would be extremely problematic. Any determined opponent could raise objections and petition against the bill in the foremost public arena – the Houses of Parliament. Failure to accommodate the demands of all interested parties could result in the embarrassing revelation before policy makers in a parliamentary Select Committee that the Incorporation Bill was not supported by all professional organisations. The supposedly leading Institute in London would also be revealed as not representative of the profession in England and Wales and as incapable of submitting a measure in the wider professional or public interest. The chances that a bill could survive such an onslaught were remote.

Suspicious that the Institute of Accountants was attempting to control the agenda of organisational change and depart from its assurances to devise a measure in the interests of the whole profession merely irritated its opponents and encouraged strong and imaginative responses. A virulent, organised and increasingly active opposition was mobilised in the winter and spring of 1879. Petitions were raised against the Incorporation Bill for submission to the House of Lords. The astute political tactics of Edwin Guthrie, epitomised by the formation of the Accountants' Incorporation Association and the cleverly conceived Incorporated Society of Accountants, ensured that the pressure on the Institute of Accountants was maintained until the Queen's signature had been inscribed on the charter. It was in the context of a parliamentary measure for reorganisation and the opportunities this presented to a

determined opposition that the Institute of Accountants was forced into a *volte-face*.

Aftermath

The foregoing suggests that the Royal Charter incorporating the ICAEW was a major success story. In its day and given the fact that it represented the supplanting of institutionalised sectionalism by national unification, it is no surprise that this outcome was so widely applauded. However, although it marked an important event in the organisational history of the profession in the UK, it was soon discovered to offer far less than the solution envisaged in 1880. Indeed, this was inevitable given that the formation of the ICAEW was an exercise in intra-occupational demarcation rather than an attempt to organise all ‘accountants’ in Great Britain and Ireland. Before the ink was dry on the Royal Charter many accountants inquired about membership of the new Institute. They were informed that only public practitioners were eligible for admission. The exclusion of those who could not satisfy the entry requirements created communities of outsiders who would eventually coalesce, form their own organisations and seek incorporation.

The disenchantment of excluded accountants was made evident in 1879 in Manchester, a city with a tradition of political activism (Briggs, 1968, chapter 3). We have seen that Guthrie and Wade’s Manchester-based associations pressed the claims of public accountants debarred from the reconfigured organisation envisaged by the Institute of Accountants. The appearance of the Institute’s Incorporation Bill also incensed the ‘private’ accountants and commercial clerks of Manchester who were already under pressure during the ‘great depression’ (Anderson, 1976, pp.52-71). On 25 April 1879 an ‘old commercial accountant’ complained to the *Manchester Guardian* that the Institute of Accountants currently excluded accountants “who hold

the chief positions in our large commercial establishments”, that its “unjust and selfish bill” would create a monopoly for public accountants and prevent men from mercantile firms moving into practice (p.6). He urged clerks and accountants in banks and commercial offices to oppose the measure. Within five days a “numerous attendance” of “private accountants, commercial clerks and others” employed in banks, commercial houses, insurance and railway companies gathered at the Atheneum, Manchester to raise a petition against the Incorporation Bill. Its signatories argued that even though many public accountants had begun as private accountants, the latter were excluded from admission to the proposed Institute. In consequence, their “business status would be injuriously affected, as the public would regard them as not possessing abilities equal to those of the members of the Institute”. Further, the bill created a “close trade union” of public accountants and represented “an application to Parliament by one section of a particular profession for privileges which ... ought to be granted on all equal terms whether they are practising as principals or as servants” (*Manchester Guardian*, 1.5.1879, p.8).

Although the Incorporation Bill was never passed, the prospect that the Royal Charter, together with those conferred earlier on the Edinburgh, Glasgow and Aberdeen societies, would be sufficient to unite and define the accountancy profession in Britain was soon disabused. A further proliferation of accountancy bodies was underway within months of the granting of the charter to the ICAEW. In autumn 1880 the Scottish Institute of Accountants was formed in Glasgow, inspired by the award of the charter to a national organisation in England and Wales (Walker, 1991). Those unable to enter the ICAEW by virtue of the accountancy functions they performed, insufficient service in public practice or their employee status, were accommodated in organisations formed during the ensuing decade. The Society of Accountants and Auditors was established in 1885 as was The Corporate Treasurers' and Accountants' Institute (Garrett, 1961; Poynton, 1960; Sowerby, 1985).

An Institute of Chartered Accountants in Ireland was founded in 1888 (Robinson, 1964).

Perhaps worst of all the problem of the *soi-disant* accountant was not solved in 1880. Incorporation by Royal Charter rather than statutory registration meant that there was no prohibition on the use of the title 'accountant'. The closure achieved by professional accountants and their supporters during the 1870s was based on differentiation *via* credentialism as opposed to state licensing, and did not therefore create a secure monopoly. As a result unqualified practitioners continued to be a thorn in the side of the organised profession. By 1892 *The Accountants' Journal*, in common with the rest of the accountancy media, repeated the tired refrain of the 1870s: "Hardly a week goes by without some so-called accountant being brought before the magistrates to answer for some, more or less disgraceful piece of misconduct; and in consequence an honourable profession runs the risk of being considered decidedly 'mixed' as regards the status of its members" (quoted in Walker, 1988, p.19). Recognising that the charters offered less than complete closure, a series of registration bills were presented to Parliament by various accountancy bodies during the 1890s and 1900s. These became a source of conflict between the competing organisations. The scene was set for an ongoing discourse about the need to address the organisation of the accountancy profession in the British Isles.

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APPENDIX A

DRAMATIS PERSONAE

Throughout the monograph reference has been made to the main participants in the events leading to the formation of the ICAEW in 1880. Short biographical notes are now provided. The principal sources of information for these were *The Dictionary of National Biography*, *Dictionary of Business Biography*, *Who's Who of British Members of Parliament*, *Chartered Accountants in England and Wales. A Guide to Historical Records* and *The Accountant*.

Cairns, Lord (Hugh McCalmont Cairns, 1819-1885)

Educated at Belfast Academy and Trinity College, Dublin. Called to the Bar in 1844 and became a Queen's Counsel in 1856. Elected Conservative MP for Belfast 1852, appointed Solicitor-General in 1858 and Attorney-General in 1866. Created Baron Cairns in 1867, appointed Lord Chancellor in 1868 and subsequently leader of the Conservative Party in the House of Lords. Re-appointed Lord Chancellor when the Conservatives returned to power in 1874. A leading lawyer of his day who "invariably produced personally an impression of the chilliest austerity".

Chadwick, David (1821-1895)

Began employment in a warehouse and was a clerk before commencing in practice as an accountant in 1843. Treasurer of the Corporation of Salford, 1844-1860. Thereafter, he established an

accounting firm in Manchester. In 1864 he assumed John Adamson as his partner in Chadwick, Adamson & Co. and in 1865 also opened an office in London. In 1867 Adamson established his own practice and Chadwick was joined by his son and Edwin Collier. There followed a high turnover of other partners. Chadwick was substantially involved in company promotions and conversions in the 1860s and 70s and built strong connections with financiers and industrialists in London and the industrial north. He was Liberal MP for Macclesfield, 1868-1880 and was principally interested in company law reform. With offices in Manchester and the metropolis he was an early member of both the Institute of Accountants in London and the Manchester Institute of Accountants. He was President of the latter and subsequently a member of the council of the ICAEW. Chadwick authored papers on numerous subjects such as local authority rating, sanitary reform, education, statistics and economics. Having received a limited schooling himself, he participated in schemes for encouraging working men's education. These included the movement for free public libraries and offering prizes for essay competitions.

Cooper, Ernest (1848-1926)

Joined Cooper Brothers & Co. in 1864, became a partner in 1872 and was senior partner in 1892-1893 until his retirement in 1923. Admitted as an Associate of the Institute of Accountants in London in 1871 and Fellow of the Institute of Accountants in 1876. Cooper was heavily engaged in insolvency work during the early part of his career. A member of the Council of the ICAEW from 1891, Vice President, 1898-1899 and President, 1899-1901. In addition to his scathing letter and memorandum on the progress of the Institute of Accountants in 1877, Cooper was the author of influential papers on professional subjects.

Guthrie, Edwin (1841-1904)

In early life was a mercantile bookkeeper, dealer and contractor on Merseyside. In 1875 became a partner of John Thomas and Charles H Wade in Thomas, Wade & Guthrie, accountants, Manchester. The firm opened an office in London during the 1880s. Guthrie reputedly established the first British accountancy firm in the US, Barrow, Wade & Guthrie, New York in 1883 and was instrumental in the formation of the American Association of Public Accountants. His firm, which boasted a substantial audit clientele, became E Guthrie & Co in 1895. A member of the Council of ICAEW. President of the Manchester Society of Chartered Accountants, 1884-1885, 1898-1899. Guthrie was active in Manchester politics. He was Chairman of South Manchester Liberal Association and subsequently Vice President of Manchester Liberal Union. He was elected as county councillor for Moss Side, 1889-1894 and subsequently became an alderman. He was Chairman of the Finance Committee of Lancashire County Council from 1889 and a JP for Lancashire and Manchester. In 1888-1890 he was President of the Manchester Statistical Society. Guthrie authored articles and pamphlets on subjects ranging from depreciation and corporation accounts to Irish Home Rule. He was possessed of a “robust and breezy presence”.

Harding, Sir Robert Palmer (1821-1893)

Commenced in practice in London in 1847 as accountant, arbitrator and house agent. Assumed Edmund Pullein as a partner (1848) and Frederick Whinney (1857). Harding had a major reputation in corporate liquidations. He was appointed liquidator, with William Turquand, of Overend, Gurney & Co. in 1866. He gave evidence to Select Committees on the Bankruptcy Act in 1864 and the Companies Acts in 1877. He was Vice President of the Institute of Accountants,

1879–1880 and President of ICAEW, 1882–1883. Retired from practice and resigned from ICAEW on becoming Chief Official Receiver under the Bankruptcy Act, 1883. He was awarded a knighthood on resigning from the latter in 1890.

Harper, Alfred Cotton (1850-1930)

Trained as an accountant with Messrs William Edwards & Co. accountants and auditors, Cheapside, London. Subsequently joined Messrs Simpson & Bright. He commenced in practice on his own account in 1872. Thereafter was senior partner of Harper, Feather & Paterson. Harper played a leading role in the promotion of the Society of Accountants in England in 1871–1872 and was its Secretary until 1880. He became a member of the Council of the ICAEW in 1880 and served for 50 years. Vice President of ICAEW, 1921–1922. At his death was the last surviving member of the inaugural council of the ICAEW.

Holker, Sir John (1828-1882)

Son of a manufacturer in Bury, Lancashire. Called to the Bar in 1854 and became a Queen's Counsel in 1868. Practised as a barrister in Manchester. Conservative MP for Preston, 1872–1882. Solicitor-General, 1874–1875 and Attorney-General, 1875–1880. Knighted in 1874. Considered to have been a successful law officer in Disraeli's government. He was appointed Lord Justice of Appeal in 1882 but died within months of taking his seat.

Lloyd, Sampson Samuel (1820-1889)

A manufacturer and the Chairman of Lloyds Bank. Chairman of the Association of Chambers of Commerce for 18 years. Conservative

MP for Plymouth, 1874–1880; South Warwickshire, 1880–1885. A JP for Warwick and Birmingham.

Lubbock, Sir John, Bart (1834-1913)

A banker and scientist with an “instinct for business”. Partner in Lubbock, Foster & Co., bankers. Honorary Secretary to the London Bankers’ Committee for 24 years from the early 1860s. First President of the Institute of Bankers, 1879. Vice Chancellor of the University of London, 1874–1880. Chairman and Vice Chairman of London County Council, 1889–1892, President of the London Chamber of Commerce, 1888–1893. JP and Deputy Lieutenant for Kent. Liberal MP for Maidstone, 1870–1880 and London University from 1880 to 1900 when he was created Lord Avebury. Chairman of the Public Accounts Committee, 1888–1889. Renown for pursuing reform of banking and companies legislation through private member legislation. He was active in scientific associations and author of numerous works on scientific subjects.

Morley, Samuel (1809-1886)

Joined the family business of J & R Morley, wholesale hosiers, London and Nottingham where he “proved very competent in the management of the accounts”. Carried on the family business with his brother from 1842, and subsequently as sole proprietor. The firm became the largest in its sector. A philanthropist and benevolent employer. Morley was a campaigner on religious freedom, civil service reform and temperance issues. Liberal MP for Nottingham, 1865 and Bristol, 1868–1885. He was a magistrate for Middlesex and Commissioner of Lieutenancy for London. A loyal supporter of Gladstone and a leading figure in the attempt to reform the Bankruptcy Act, 1869.

Parkyn, Mansfield (1823-1894)

Left Cambridge before completing a degree to explore the Middle East and Africa. Was an attaché to the embassy in Constantinople, 1850-1852 then returned to England and wrote a highly successful book on his travels in Abyssinia. On marrying the daughter of Baron Westbury in 1854 he settled in Nottinghamshire. In 1858 he was appointed an official assignee in bankruptcy in Exeter and later held the same position in London. Was Comptroller in Bankruptcy under the Bankruptcy Act, 1869 until the office was abolished by the Bankruptcy Act, 1883.

Paterson, John (1845-1923)

Born in Edinburgh. Became an Associate of the Institute of Accountants in London in 1871 and was subsequently a frequent advocate of organisational change. Admitted a Fellow of the ICAEW in 1880. The firm of Broad & Broad, London was formed in 1869. In 1871 Paterson became a partner and the firm changed its name to Paterson & Broad. It subsequently became Broad, Broad & Paterson; Broads, Paterson & May; and Broads Paterson & Co. Paterson was auditor of the Municipal Trust Company for almost 50 years.

Quilter, William (1808-1888)

Apprenticed to Peter Harris Abbott, London from 1815. When Abbott was appointed as an official assignee in bankruptcy in 1833, Quilter and his fellow clerk, John Ball formed Quilter Ball. The firm achieved considerable success in insolvency work and in investigations of railway companies during the 1840s and 50s, becoming one of the largest accountancy practices in England. The firm acquired major liquidation and corporate audit appointments during the 1860s.

Quilter achieved substantial wealth as an investor in railway and other shares, art and property. He was considered one of the “prime movers” in the formation of the Institute of Accountants in London and was its President until his resignation in 1877.

Redesdale, Lord (John Thomas Freeman Mitford, 1805-1886)

Educated at Eton and Oxford. On succeeding his father as second Baron Redesdale and entering the House of Lords in 1830, Mitford concentrated on private legislation. In 1851 he was appointed Chairman of Committees and was assiduous and assertive in his scrutiny of private bills. He was outspoken on religious questions and held conservative views. Created Earl of Redesdale in 1877.

Turquand, William (c.1818-1894)

An official assignee in bankruptcy during the mid-1840s and commenced in practice as an accountant in London shortly thereafter. He was subsequently in partnership for a short period with William Edwards. During the 1850s Turquand’s firm merged successively with Youngs & Co and J E Coleman & Co to form Coleman, Turquand, Youngs & Co. This became one of the largest firms in its day. Turquand acquired a considerable insolvency practice and was joint liquidator of Overend, Gurney & Co in 1866. His partners developed the audit practice of the firm. Turquand was Vice President of the Institute of Accountants (in London) and became President on William Quilter’s resignation in 1877. He was the first President of the ICAEW, 1880-1882.

Welton, Thomas Abercrombie (1835-1918)

Admitted an Associate of the Institute of Accountants in London in 1871 and a Fellow in 1876. Trained with Quilter Ball & Co., and admitted to partnership in 1876. Subsequently, senior partner of Welton Jones & Co. and Welton & Bond. He was Secretary of the Institute of Accountants (in London) 1870-1876 and thereafter a member of its council and that of the ICAEW. President of ICAEW, 1891-1892 and Chairman of the ICAEW Investigations Committee for 25 years to 1917. A Fellow of the Royal Statistical Society.

Whinney, Frederick (1829-1916)

Clerk and subsequently senior clerk to Harding & Pullein, accountants, London, 1849-1857. He was assumed as a partner in 1857. Became senior partner in Harding, Whinney, Gibbons & Co. from 1883 and later Whinney, Smith & Whinney, until his retirement in 1905. Whinney was heavily engaged in insolvency and later in audit work. He served on a Parliamentary Commission to examine the finances of Oxford University in 1877. A founding member of the Institute of Accountants in London, elected to the Council of the Institute of Accountants in 1877 and considered "instrumental" in the formation of the ICAEW. He was President of the ICAEW, 1884-1888 and a member of several of its committees. A strong advocate in the late 1870s and 1890s of legislative protection for professional accountants.

APPENDIX B

ERNEST COOPER'S LETTER AND MEMORANDUM, 1877

14 George Street
Mansion House
London E.C.
8th May 1877

Dear Sir,

I duly received your letter of the 30th ultimo from which it appears that since its first year the Institute has only increased by 26 members, reaching 160 members at the end of 1875 and that since then it has diminished by six there being at the end of last year only 154 members. It is seen also that the number of Associates is even less now than in the first year. This result is so unsatisfactory that I may perhaps venture to trouble you with a few remarks in reference to the Institute.

The Institute was founded in the beginning of 1871 and it had scarcely come into existence before an opposition sprang up avowedly hostile to the Institute, one ground of the hostility being stated by the promoters of the opposition to be that – “the conditions of admission of members are arbitrary and unfair”. It was also objected that the Institute only embraced London and that the whole body of the profession had not been consulted on its formation. The Council of the Institute do not appear to have taken any public notice of these objections until a year had elapsed, but in July 1872 they called a meeting to resolve upon the extension of the scope of the Institute to the whole of the United Kingdom which was carried out. In the meantime the opposition

had taken the form of the "Society of Accountants in England" and I will only say in reference to this Society that its numbers have steadily increased every year since its formation and it has now 220 members. The Manchester Institute of Accountants too seems to have no less than 58 members. The Edinburgh Society of Accountants has over 120 members.

What I wish to suggest to you is that the decline in the number of members must be attributed to the little activity shewn by the Institute. You are aware that what caused me to write to you was your statement as to the proposal to take new premises on a second floor. It seems clear that the selection of premises is of the utmost importance to the Institute both in regard to its prestige and usefulness and it is the strong feeling that if premises of the nature you referred to are taken the Institute will relapse into the state of inaction in which it has remained during the past six or seven years that induces me to trouble you. I have taken the liberty to append to this letter some suggestions in reference to the selection of premises and you will not I hope consider I have exceeded the duty of a private member in bringing them before you.

It has been continually a subject of remark that the subscriptions of members are collected and nothing is offered in return and as regards the younger members particularly it is not to be expected that they will be induced to pay money to an Institute which offers no corresponding advantages. Hitherto the large fund accumulated has been useless to the Members and in reply to remarks upon the uselessness of accumulating money with no apparent purpose it is stated (I believe by the chairman at one of the annual meetings) that the premises were only temporary and that a house was to be found as soon as possible.

If effect were given to the appended suggestions there would exist an argument to be used with the younger members coming into the profession and substantial advantages would be shewn them and

then if efforts were made by visiting country towns and otherwise to ascertain who are the Accountants of repute in the provinces and to induce them to join the Institute its members might very soon be increased sufficiently to constitute a representative body.

You are aware that during the past six years the profession has had exceptional advantages under the Bankruptcy Act and that it is very possible the recognition of the profession in the contemplated legislation may become more marked. If so, the status of the Institute may be found of very great importance to the profession.

I would specially ask your attention to this point:- In the debate on the introduction of the 1869 Act, it was stated if I recollect rightly by Lord Hatherley, that under the 1856 Scotch Act (and no doubt also long before) it had been found that a class of gentlemen describing themselves as Accountants had grown up who made it their business to wind up insolvent estates and their reputation depended upon their doing the business well and it was I think added that these gentlemen had organized themselves and obtained a charter. Can it be doubted that if the Institute after the Scotch System was introduced here had been actively engaged during the past seven years in ascertaining who are the respectable Accountants and inducing them to join the Institute that the profession would have assumed a much higher position in relation to the contemplated Bankruptcy reform?

I should say in conclusion that I believe the views expressed above and in the appended suggestions would be found generally to be in accordance with those of the great majority of the Members of the Institute.

I am, Dear Sir
Yours truly
Ernest Cooper

W.S. Howgrave Esq.
Secretary
The Institute of Accountants
57 Moorgate Street, E.C.

Memorandum of Suggestions as to the selection of premises for the Institute of Accountants

In selecting premises the main objects to be kept in view are the following:

1. The prestige of the profession and the Institute.
2. Provision for the requirements and convenience of the Council and Officers and the general body of members of the Institute.

For the elevation of the prestige of the profession the premises should be in appearance as imposing in style both inside and out as the means of the Institute will allow and in a good and convenient locality.

The objects of the Institute are thus stated by Rule 2: "The objects of the Institute are to elevate the attainments and status of professional Accountants, to promote their efficiency and usefulness and to give expression to their opinions upon all questions incident to their profession".

The first necessity is to provide for the management of the Institute. For this purpose a room for the Council to meet in, is required.

The Officers to be provided for are the Secretary, the Examiners and the Auditors. The Secretary can probably without inconvenience occupy the Council room.

The Examiners and the Auditors having only occasional duties do not require special provision and the Council room could probably be placed at their disposal when required.

The requirements of the members for which the premises should provide may be divided into:-

1. Lectures &c on subjects of interest to the profession.
2. General meetings.
3. Consultation with the Secretary as to the affairs of the Institute and the profession.

4. The means of obtaining general information affecting directly or indirectly the profession and its duties.

The Library referred to below or separate accommodation in communication with it should be available for lectures &c on subjects directly or indirectly affecting the duties and interests of the profession.

It is desirable that general meetings should be held at the premises of the Institute. The members could then more easily be made acquainted by inspection with the premises and the advantages they should offer.

The most important requirement of the members is a library. The measure of the outlay on this object should be limited only by the means of the Institute. The library should contain all Treatises and works of reference bearing upon Accounts, Book-keeping, Bankruptcy, Companies, Partnership, and General Commercial Interests, and a good law library should be formed. A permanent Library Committee should be appointed charged with the formation of the Library and the preservation and making a catalogue of the books, and the catalogue should be printed, and distributed, to the members. The purchasing of new works as they appear and the filing and binding of selected periodicals should be regulated by the Library Committee. An important feature should be the acquiring and arranging of registers of Bankrupts and Companies going as far back as possible.

The library should be comfortably furnished and kept open during hours to suit members of the Institute. Under proper restrictions, members should have the right of giving orders of admission to their Clerks, Articled pupils and friends. Students and Articled pupils should be encouraged in every possible way to use the library.

The remaining point is locality. The premises should be in the City and as central as possible and should be on the ground floor, as mounting stairs is a deterrent from frequent use of premises and would restrict the usefulness of the Library. The prestige of the Institute also

would be affected by the premises being placed upstairs. Quiet and light are important in the selection of locality.

In Edinburgh and Glasgow the local Societies of Accountants already possess suitable premises. Enquiries should be made of these Societies as to the best means of rendering the premises of the Institute useful to the Members.

The sixth special power to the Council in Rule 41, referring to the "disposition of any real or leasehold property of the Institute" appears to contemplate the acquisition of property. If a house were acquired the Institute would have special facilities for letting off any part not required either for Accountants offices or for the holdings of meetings of Creditors.

Source: MS28405/1, pp.306-310.

APPENDIX C

ACCOUNTANTS INSTITUTE BILL - AN ACT

For dissolving and re-incorporating The Institute of Accountants and for conferring further powers upon them; and for other purposes.

WHEREAS in the year 1870 an Association was formed under the name and title of "The Institute of Accountants" the Members whereof are styled Fellows and Associates respectively having amongst other objects the elevating of the attainments and status of professional Accountants and the promotion of their efficiency and usefulness and the affairs of the Association are regulated by certain rules and regulations which have been signed by the several Members of the Association and by certain bye-laws made by the Council of the Association in accordance with such rules and regulations:

And whereas it is expedient that the present and future Members of the said Association be incorporated and that the powers in that behalf contained in this Act be conferred upon them but those objects cannot be attained without the authority of Parliament:

MAY IT THEREFORE PLEASE YOUR MAJESTY,

That it may be Enacted, AND BE IT ENACTED, by the Queen's Most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal and Commons in this present Parliament assembled, and by the authority of the same, as follows:-

1. This Act may for all purposes be cited as "The Accountants (England) Act 1879."
2. This Act shall not apply to Scotland or Ireland.
3. This Act shall not come into operation until the first day of January one thousand eight hundred and eighty which date is hereinafter referred to as "the commencement of this Act."
4. The following words and expressions in this Act have the several meanings hereby assigned to them unless there be something in the subject or context repugnant to such construction:-

"Old Institute" means the Association formed as aforesaid and called "the Institute of Accountants;"

"Institute" means "the Incorporated Institute of Accountants in England" by this Act incorporated;

"Council" means the Council of the Institute.
5. Upon and from the commencement of this Act the old Institute shall be by this Act dissolved and the then Members of the old Institute and all other persons who shall hereafter become Members of the Institute shall be by this Act incorporated by the name of "The Incorporated Institute of Accountants in England" and by that name shall be a body corporate with perpetual succession and a Common Seal and with power to purchase take hold and dispose of lands find other property for the purposes of the Act.
6. From and after the commencement of this Act all lands and property rights and choses in action then belonging to or held in trust for the old Institute shall be by this Act vested in the Institute.
7. Subject to the provisions of this Act the rules and regulations of the old Institute shall as to any prospective operation thereof be on from and the commencement of this Act wholly void and the Members of the old Institute shall be exempted from all the

provisions restrictions and requirements contained in the said rules and regulations but nothing in this Act contained shall release or discharge any person from any liability or obligation in respect of any breach of the provisions of the said rules or regulations incurred before the commencement of this Act but such liability or obligation in respect of any such breach shall continue and save as in this Act otherwise provided may after the commencement of this Act be enforced by or on behalf of the Institute as nearly as may be in like manner as the same might have been enforced by or on behalf of the old Institute if this Act had not been passed.

8. Except as is by this Act otherwise specially provided all purchases sales conveyances grants assurances deeds contracts bonds and agreements entered into or made before the commencement of this Act by to or with the old Institute or any trustees or persons acting on their behalf or by to or with any other person to whose rights and liabilities they shall have succeeded and at the commencement of this Act in force shall be after the commencement of this Act as binding and of as full force and effect in every respect against or in favour of the Institute and may be enforced as fully and effectually as if instead of the old Institute or the trustees or persons acting on their behalf the Institute had been a party thereto.
9. Nothing in this Act contained shall release discharge or suspend any action suit or other proceeding at law or in equity which at the commencement of this Act shall be pending by or against the old Institute or any Member thereof in relation to their affairs or to which the old Institute or any Member thereof in relation to such affairs were parties immediately before the commencement of this Act but such action suit or other proceeding may after the commencement of this Act be maintained prosecuted or continued by or in favour of or against the Institute (as the case may be) in the same manner and as effectually and advantageously as the same might have been maintained prosecuted or continued by or in

favour of or against the old Institute or any Member thereof if this Act had not been passed. The Institute and the Members thereof being in reference to the matters aforesaid in all respects substituted for the old Institute and the Members thereof respectively.

10. Every trustee or other person in whom or in whose name any lands works buildings easements rights property or effects belonging to the old Institute shall be vested immediately before the commencement of this Act and who (being authorised so to do) entered into any bond covenant contract or engagement in respect of the same or otherwise on behalf of the old Institute shall be indemnified out of the funds and property of the Institute against all liability (including costs charges and expenses) which he may sustain or incur or be put unto by reason of his having entered into such bond covenant contract or engagement.
11. From and after the commencement of this Act and except as is by this Act otherwise expressly provided the Institute shall in all respects be subject to and shall discharge all obligations and liabilities to which the old Institute immediately before the commencement of this Act shall be subject and shall indemnify the Members of the Council Members officers and servants of the old Institute and their respective representatives from all such obligations and liabilities and from all expenses and costs in that behalf.
12. All sums of money which immediately before the commencement of this Act shall be due or accruing to the old Institute shall be payable to and may be collected and recovered by the Institute.
13. All persons who immediately before the commencement of this Act shall owe any money to the old Institute or to any person on their behalf shall pay the same with all interest (if any) due or accruing upon the same to the Institute and all debts and moneys which immediately before the commencement of this Act were

due or recoverable from the old Institute or for the payment of which the old Institute were or but for this Act would be liable shall be paid with all interest (if any) due or accruing upon the same by or be recoverable from the Institute.

14. All the bye-laws of the old Institute shall continue and be in force as if the same were bye-laws made by the Institute under the provisions of this Act until the expiration of twelve months from the commencement of this Act or until the same are rescinded or other bye-laws duly made in their stead by the Institute whichever first happens.
15. All officers and servants of the old Institute who were in office immediately before the commencement of this Act shall hold and enjoy their respective offices and employments together with the salaries and emoluments thereunto annexed until they shall resign the same or be removed therefrom by the Institute and shall be subject and liable to the like conditions obligations pains and penalties and to the like powers of removal and to the like rules restrictions and regulations in all respects whatsoever as if they had been appointed under this Act.
16. Except as is by this Act otherwise expressly provided everything before the commencement of this Act done or suffered by or with reference to the old Institute or the Members thereof as such shall be as valid as if the Institute had not been incorporated and the said rules regulations and bye-laws had not been avoided by this Act and such incorporation and avoidance and this Act respectively shall accordingly be subject and without prejudice to everything so done or suffered and to all rights liabilities claims and demands both present and future which if the Institute were not incorporated and the said rules regulations and bye-laws were not avoided by this Act and this Act were not passed would be incident to or consequent on any and everything so done or suffered and with respect to

all such rights liabilities claims and demands the Institute and its Members and property shall to all intents and purposes after the commencement of this Act represent the old Institute and the Members thereof as such and the property of the old Institute as the case may be and the generality of this enactment shall not be, restricted by any of the other clauses and provisions of this Act.

17. There shall be a Council of the Institute consisting of twenty Members including a President and Vice-President but the Institute may from time to time in general meeting after due notice for that purpose increase or reduce the number of the Council but so that the number shall be never less than twelve and may determine the order of rotation in which such reduced or increased number shall go out of office.
18. William Turquand John Ball John Blackburn George Augustus Cape Edward Carter William Cash Arthur Cooper William Welch Deloitte Robert Fletcher John George Griffiths Robert Palmer Harding Edward Hart Charles Fitch Kemp George Herbert Ladbury Samuel Lowell Price Joseph John Saffery George Edwin Swithinbank Thomas Abercrombie Welton Frederick Whinney and John Young shall be the first Members of the Council and William Turquand shall be the first President and John Ball shall be the first Vice-President thereof.
19. The first Members of the Council shall hold office until the first annual meeting of Members of the Institute to be held as in this Act provided and thenceforth until other Members of the Council are elected in their stead in manner by this Act provided.
20. When any vacancy occurs in the office of president or Vice-President the Council shall forthwith by ballot choose a Member of the Council to fill such vacancy.
21. No person shall be eligible to be a Member of the Council unless he be a Fellow of the Institute.

22. The Members of the Institute shall be divided into two classes to be styled respectively Fellows and Associates. The Fellows of the old Institute at the commencement of this Act shall be and be styled Fellows of the Institute and the Associates of the old Institute at the commencement of this Act shall be and be styled Associates of the Institute. Future Fellows and Associates of the Institute shall be from time to time elected or admitted in accordance with the provisions of this Act and of any bye-laws of the Institute made under the powers of this Act and for the time being in force: Provided that after the thirty-first day of December one thousand eight hundred and eighty-one no Fellow shall be elected except from amongst the Associates of the Institute.
23. The first meeting of the Council shall be held at the offices of the old Institute at No.3 Copthall Buildings in the city of London on the fifth day of January next after the commencement of this Act.
24. The quorum for a meeting of the Council shall be five.
25. The first general meeting of Members of the Institute shall be held at such time and place as the Council at their first meeting after the commencement of this Act shall resolve and appoint.
26. At the first ordinary general meeting of Members of the Institute in each year beginning with one thousand eight hundred and eighty one-fourth of the Members of the Council or if their number be not divisible by four then the nearest number to but not being less than one-fourth of the whole number shall go out of office and cease to be Members of the Council and the Members of the Institute present in person or by proxy (if under the bye-laws of the Institute for the time being in force the votes of Members may be given by proxy) shall elect duly qualified persons to supply the places of the Members of Council then retiring from office and the several persons elected at any such meeting being neither removed

nor disqualified nor having died or resigned shall continue to be Members of the Council until others are elected in their stead.

27. The Members of the Council appointed by this Act shall go out of office in such order as (unless they shall otherwise agree) shall be determined by ballot among themselves and of all other Members of the Council those who have been longest in office shall be those who are to go out of office. In each case the places of the retiring Members of Council shall (subject to the provision hereinbefore contained for increasing or reducing the number of Members of the Council) be supplied by an equal number of Fellows of the Institute. Any retiring Member of the Council shall be in any case eligible for re-election and after re-election shall with reference to the going out by rotation be considered as a Member of the Council.
28. If any Member of the Council die or resign or become disqualified or incompetent to act or cease to be a Member of the Council by any other cause than that of going out of office by rotation the remaining Members of the Council may if they think fit elect in his place some other Fellow of the Institute and the person so elected shall continue in office as a Member of the Council so long as but no longer than the person in whose place he shall have been elected would have been entitled to continue if he had remained in office.
29. The Council shall have the management and superintendence of the affairs of the Institute and may lawfully exercise all the powers of the Institute except as to such matters as are by this Act or by any bye-law thereunder directed to be transacted by or at a general meeting of the Members of the Institute.
30. The Council shall also have power to apply the funds of the Institute for such purposes of the Institute as they in their discretion think fit and such purposes may include the extending and improving

of the library of the Institute and the erection and fitting up of a hall for the use of the Members of the Institute and the purchase of a site or sites for a library and a hall and the paying of salaries of librarians custodians and other officers and servants for any purposes of the Institute: Provided always that the Council shall not apply the funds of the Institute in erecting any building or purchasing a site for the same without the sanction of a general meeting of the Members of the Institute convened with notice of this object.

31. Provided always that all powers which under the provisions of this Act may be exercised by the Council shall be exercised by them in accordance with and subject to the provisions of this Act and the bye-laws thereunder and the exercise of those powers shall be subject also to the control and regulation of any general meeting of the Institute specially held for the purpose but not so as to make invalid any act done by the Council previously to any resolution passed at a general meeting and any act or proceeding of the Council shall not be invalidated or be illegal in consequence of there being any vacancy in the number of the Council at the time of such act or proceeding being done or taken.
32. Sections 92 to 100 (both inclusive) of “The Companies Clauses Consolidation Act 1845” with respect to the proceedings and liabilities of the Directors are hereby incorporated with this Act and shall apply to the Members and to the President and Vice-President of the Council and to the Institute in like manner *mutatis mutandis* as they apply to Directors and to a Chairman and Deputy-Chairman of the Directors and to a Company.
33. The Council shall provide and have the custody of proper books or rolls wherein shall be from time to time inscribed or registered in alphabetical order the names and addresses of the Members of

the Institute for the time being and such other particulars (if any) as the Council shall from time to time determine.

34. The following persons shall on payment of such fees as shall be prescribed by the bye-laws of the Institute in that behalf and on signature of the books or rolls to be kept as in this Act provided be entitled to be admitted as Fellows of the Institute namely:-
- (1) Any person who during the five years immediately preceding the passing of this Act and thence up to the time of his applying to be admitted a Fellow has continuously been in bona fide practice in England on his own account as a public Accountant and who shall obtain a certificate from the Council of his fitness to be so admitted;
 - (2) Any person who being an Associate of the Institute has for the five years immediately preceding the time of his applying to be admitted a Fellow been continuously in bona fide practice in England on his own account as a public Accountant and who shall obtain a certificate from the Council of his fitness to be so admitted.
35. The following persons shall on payment of such fees as shall be prescribed by the bye-laws of the Institute in that behalf and signature of the books or rolls to be kept as in this Act provided be entitled to be admitted as Associates of the Institute namely:-
- (1) Any person who during the three years immediately preceding the passing of this Act and thence up to the time of his applying to be admitted an Associate has continuously been in bona fide practice in England on his own account as a public Accountant and who shall obtain a certificate from the Council of his fitness to be so admitted;
 - (2) Any person who during the seven years immediately preceding the passing of this Act and thence up to the time of his applying to be admitted as an Associate has continuously served as a

clerk to a public Accountant or a firm of public Accountants and who shall obtain such certificate as aforesaid;

- (3) Any person who having served as a Clerk to a public Accountant or a firm of public Accountants for not less than four years immediately preceding the passing of this Act has forthwith after the termination of such service gone into practice and has thence for three years at least previously to his applying to be admitted as an Associate continuously been in bona fide practice in England on his own account as a public Accountant and who shall obtain such certificate as aforesaid;
 - (4) Any person who shall obtain a certificate from the Examiners that he has satisfactorily passed the final examination provided for in this Act.
- 36.** Save as aforesaid no person shall be admissible as an Associate of the Institute unless he has served under articles as a clerk to a Member of the Institute for five years at the least (or if he shall have attained the degree of Bachelor of Arts in any of the Universities of the United Kingdom then for three years at the least) previously to his passing the final examination provided for by this Act: Provided that any articles of clerkship may be assigned from one Member of the Institute to another Member subject to any bye-laws for the time being in force of the Institute relating to articles of clerkship and service partly under original articles of clerkship and partly under articles of clerkship so assigned shall qualify a candidate for examination in like manner as service for the same period under original articles of clerkship.
- 37.** The Council shall from time to time cause examinations to be held of all persons applying to be admitted Associates of the Institute and not entitled under this Act to be so admitted except after passing the final examination provided for by this Act and shall

from time to time appoint Examiners for that purpose who shall respectively hold office until their successors are appointed. Such examinations may if the Council so think fit and from time to time determine include preliminary and intermediate examinations to be held at such period or periods of the service under articles of the candidate for membership as shall from time to time be fixed by the Council or by any bye-laws of the Institute. The last examination which may be so directed or (if no preliminary or intermediate examination be directed) the single examination so directed to be held is in this Act referred to as "the final examination". The Examiners shall conduct the examination or examinations in such subjects and manner as shall be directed or approved by the bye-laws of the Institute and shall hold office subject to such conditions and shall receive such remuneration as shall from time to time be prescribed by such bye-laws. The Examiners shall grant to every person who shall satisfactorily pass any examination a certificate that he has so passed.

38. Every applicant for a certificate from the council with a view to his admission as a Fellow or Associate of the Institute shall lodge a written requisition to that effect with the Council and shall produce a certificate to their satisfaction of good moral character and such evidence as shall be required by any bye-law of the Institute of his having practised or served as a clerk as hereinbefore provided and a certificate or certificates of his having passed the preliminary and intermediate examination or examinations if any which under the provisions of this Act are required in the case of the applicant and the Council shall thereupon either issue to the applicant a certificate of membership as a Fellow or as an Associate as the case may be if the applicant is entitled thereto without examination under the provisions of this Act or shall remit him to the Examiners for final examination under the resolutions of the Council or as the case may be under the bye-laws of the Institute for the time

being in force and applicable in the case of the applicant and upon the Examiners granting a certificate that the applicant has duly passed the final examination and upon the applicant complying with the other provisions of this Act applicable in that behalf the Council shall issue to him a certificate of membership as a Fellow or as an Associate as the case may be.

39. The Council shall from time to time cause lists of the Members for the time being of the Institute to be drawn up and shall supply copies thereof on demand to any person on payment of such fee as the Council shall think fit and any copy of such list certified by the Secretary of the Council to be a true copy shall be evidence that the persons therein named are Members of the Institute.
40. Every Member of the Institute whether Fellow or Associate shall before becoming entitled to practise as a public Accountant obtain from the Council a certificate of his membership for which he shall pay to the Council such sum as may be prescribed in that behalf by any bye-laws of the Institute and if no annual sum be so prescribed then the annual sum of five pounds five shillings if he be a Fellow or of two pounds two shillings if he be an Associate which sums shall respectively from time to time be payable at such periods as may be prescribed by any bye-law of the Institute for the time being in force and shall once in every year whilst he continues to practise as a public Accountant after the date of the granting of such certificate renew the same on payment of the like sum as for the first certificate and if he shall neglect to make such renewal for six months after the expiration of any such year he shall not be entitled to obtain such renewal except upon payment of the further sum of five pounds by way of fine.
41. Any Member of the Institute may use after his name the initials (if he be a Fellow of the Institute) F.I.I.A. or (if he be an Associate of the Institute) A.I.I.A. and any person who not being a Member

of the Institute shall use the initials hereby authorised to be used by a Fellow or by an Associate of the Institute or who shall by any other means hold himself out as or represent or endeavour to represent himself as a Member of the Institute shall forfeit and pay for every such offence the sum of twenty pounds to be recovered with full costs of suit by any person suing for the same in any court of competent jurisdiction.

42. At every general meeting or special meeting of the Institute every Member shall have a vote but a Member shall not be entitled to vote at any meeting who is in arrear of any subscription or other sum payable by him under the bye-laws of the Institute.
43. The rules next hereinafter set forth shall be fundamental rules of the Institute that is to say:-
 - (1) No Member shall allow any person not a Member of the Institute to practise in his name as an Accountant;
 - (2) No Member shall directly or indirectly allow or agree to allow of participation by a Solicitor in the profits of his professional work or shall accept or agree to accept any part of the profits of the professional work of a Solicitor;
 - (3) No Member shall directly or indirectly accept or agree to accept from an Auctioneer Broker or other agent employed for the sale or letting of or otherwise in dealing with any land house or property in the management administration or disposal of which such Member or any partner or partners of such Member shall be engaged any part or proportion of or any commission or bonus upon the charges payable to such Auctioneer Broker or agent.
44. If any Member of the Institute violates any of the fundamental rules of the Institute he shall be liable to be excluded from Membership of the Institute by the votes of two-thirds of the Members of the

Council, present and voting at a meeting of the Council specially convened for the purpose with notice of the object.

45. If any Member of the Institute is convicted of any crime that is infamous or is convicted of or adjudged by any court of competent jurisdiction to have committed any fraud he shall thereupon cease to be a Member.
46. The Council may on the presentation of a complaint by any person aggrieved by the conduct of a Member whether Fellow or Associate of the Institute inquire into any allegations affecting the professional character of such Member and if they shall see cause after such inquiry may suspend such Member from Membership for any period not exceeding two years and such Member shall during the period of such suspension be debarred from exercising or enjoying any of the rights or privileges of a Member and if it shall appear to the Council that the conduct of the Member has been such as to warrant his expulsion from the Institute they may by the votes of three fourths of the Members of the Council present and voting at a meeting of the Council specially convened with notice of the object of the meeting declare that such Member shall thenceforth cease to be a Member of the Institute and such Member shall from and after the passing of such resolution cease to be a Member of the Institute and forfeit all his rights and privileges as a Member of the Institute and all sums of money paid by him to the Institution.
47. If any Member of the Institute becomes bankrupt or insolvent or suspends payment or places his affairs in the hands of inspectors or trustees or makes or proposes any composition with his creditors he shall thereupon cease to be a Member.
48. Any Member of the Institute who shall engage in any business or occupation or shall accept any appointment which in the opinion of the Council shall be inconsistent with his remaining a Member

of the Institute shall be liable to be excluded from membership of the Institute by the votes of two-thirds of the Members of the Council present and voting at a meeting of the Council specially convened for the purpose with notice of the object.

49. If any Member of the Institute is in arrear in respect of any subscription or other sum payable by him under the bye-laws of the Institute for one year after the expiration of the time at which the same became payable he shall thereupon (unless the Council otherwise determine) cease to be a member.
50. Provided always that any person who has ceased to be a Member under either of the three last preceding sections of this Act may at any time be re-admitted a Member by a resolution of the Council passed by the votes of not less than two-thirds of the Members of the Council present at a special meeting of the Council duly convened with notice of the object of the meeting and such re-admission may be made upon and subject to such terms and conditions as may be specified in that behalf by the resolution.
51. If any person cease for any cause whatever to be a Member of the Institute he shall not nor shall his representatives have any interest in or claim against the funds or property of the Institute.
52. The Institute from time to time by resolution of a general meeting confirmed at a subsequently general meeting held not less than seven and not more than twenty-eight days after the former meeting may make such bye-laws as they think fit for all or any of the following purposes and may in like manner from time to time rescind or vary any such bye-laws and make others in their stead (namely):-

For regulating the terms and conditions (other than but not inconsistent with those specially mentioned in this Act) for and the mode of admission of Associates and the election of Fellows of the Institute;

- For appointing the fees and the annual sums for certificates of membership and other sums to be paid by Fellows or Associates of the Institute and the times or periods at which such fees or annual or other sums shall be payable;
- For regulating the mode time and place of summoning and holding general meetings and special meetings of the Institute and the mode of voting including (if so thought fit) the voting by proxy or by proxy papers and the conduct of proceedings at any such meetings;
- For regulating the mode of nomination of Fellows of the Institute for election to the Council and the giving of notice (if so thought fit) of such nomination and the conduct of the election;
- For regulating the appointment of Trustees and their powers and duties and the disposal of the moneys and property of the Institute;
- For regulating the appointment election rotation retirement and remuneration of an Auditor or Auditors;
- For regulating the appointment employment and remuneration of a Secretary and other officers and servants;
- For regulating the service under articles of clerks of Members of the Institute and the assignment of such articles by one Member to another and the forfeiture of such articles for misconduct or other sufficient cause;
- For regulating the number and times and places of holding examinations whether preliminary intermediate or final of candidates for membership or Associates of the Institute and the subjects for and the manner of conducting all or any such examinations and the conditions on which the Examiners shall hold office and their remuneration;
- For regulating the admission as students of clerks of Members serving under articles and the rights and privileges of such

students and their suspension or exclusion from such rights or privileges;

And generally such bye-laws as from time to time seem requisite for the better execution of this Act and the furtherance of the objects of the Institute;

but no bye-law shall be made by the Institute providing for exclusion from Membership of the Institute for any cause nor shall any bye-law made by the Institute be repugnant to the law of England or to any provision of this Act.

53. Bye-laws made by the Institute shall not have effect until they have been submitted to the Recorder for the time being of the City of London and allowed by him as not beyond the authority of the Institute and not repugnant to the law of England or to any provision of this Act.
54. The Institute shall cause all bye-laws when allowed with the form of allowance to be printed and a copy of bye-laws purporting to be made by the Institute under this Act and to be allowed by the Recorder of the City of London and to be printed by direction of the Institute and to be authenticated by their Common Seal and the signature of their Secretary shall be evidence of the existence and contents of such bye-laws and of the due making and allowance thereof without proof of such seal or signature or of any other thing.
55. All costs charges and expenses of and preparatory or incidental to the applying for obtaining and passing of this Act shall be paid by the Institute.

Source: Parliamentary Archives, House of Lords Record Office.

APPENDIX D

**INSTITUTE OF CHARTERED ACCOUNTANTS IN
ENGLAND AND WALES**

CHARTER OF INCORPORATION, 1880

CHARTER

VICTORIA BY THE GRACE OF GOD, of the United Kingdom of Great Britain and Ireland Queen Defender of the Faith.

TO ALL TO WHOM THESE PRESENTS SHALL COME GREETING:

WHEREAS an Humble Petition has been presented to Us by the following Public Accountants namely William Turquand of Coleman Street in the City of London John Unwin Wing of Prideaux Chambers Sheffield Anthony Wigham Chalmers of 5 Fenwick Street Liverpool Henry Grosvenor Nicholson of 100 King Street Manchester Jarvis William Barber of Alliance Chambers George Street Sheffield and Charles Henry Wade and Edwin Guthrie both of Marsden Street Manchester setting forth (among other things) to the effect following: That the Petitioner William Turquand is the President of a Society established in 1870 in London called The Institute of Accountants that the Petitioner John Unwin Wing is the President of a Society established in 1872 in London called The Society of Accountants in England that the Petitioner Anthony Wigham Chalmers is the President of a Society of Accountants established in 1870 at Liverpool that the Petitioner Henry Grosvenor Nicholson is the President of a Society of Accountants established in 1871 at Manchester that the Petitioner Jarvis

William Barber is the President of a Society of Accountants established in 1877 at Sheffield and that the Petitioners Charles Henry Wade and Edwin Guthrie are Public Accountants at Manchester. That the profession of Public Accountants in England and Wales is a numerous one and their functions are of great and increasing importance in respect of their employment in the capacities of Liquidators acting in the winding up of companies and of Receivers under decrees and of Trustees in bankruptcies or arrangements with creditors and in various positions of trust under Courts of Justice as also in the auditing of the accounts or public companies and of partnerships and otherwise. That the aggregate number of members of the said societies exceed 500 and in that number are comprised nearly all the leading public accountants of England and Wales. That the said societies were not established for the purposes of gain nor do the members thereof derive or seek any pecuniary profit from their membership but the societies aim at the elevation of the profession of public accountants as a whole and the promotion of their efficiency and usefulness by compelling the observance of strict rules of conduct as a condition of membership and by setting up a high standard of professional and general education and knowledge and otherwise. That in the judgment of the Petitioners it would greatly promote the objects for which the said societies have been instituted and would also be for the public benefit if the members thereof were incorporated as one body as besides other advantages such incorporation would be a public recognition of the importance of the profession and would tend to gradually raise its character and thus to secure for the community the existence of a class or persons well qualified to be employed in the responsible and difficult duties often devolving on public accountants. That the Petitioners desire and propose that if incorporation by Charter is granted to them such conditions should be laid down as would require for the admission to membership of persons now already following the profession either long actual experience in the profession or service for a long time

in the capacity of a Public Accountant's Clerk or else the passing of appropriate examinations under the supervision of the Corporation. That with respect to the admission to membership of persons hereafter desirous of entering into the profession the Petitioners contemplate that subject to future determination by the Council or Governing Body of the Corporation a strict system of examination should be established including a preliminary examination to be held before the candidate for membership enters on service under articles an intermediate examination to be held in the course of his service and a final examination and that no person be allowed to present himself for the final examination unless he has served for five years at least or if he has graduated in any of the Universities of the United Kingdom then for three years at least under articles as a Public Accountant's Clerk. That the Examinations would (subject to future determination by the Governing Body of the Corporation) be of such a character as to test the knowledge of the candidates not only in book-keeping and accounts but also in the principles of mercantile law and in the law and practice of bankruptcy and of the winding up of Companies. That the Petitioners believe that such system would have an educational effect of a highly beneficial kind. That the Petitioners further desire and propose that the Corporation should lay down such rules respecting admission to membership and exclusion therefrom as would prevent Public Accountants from mixing the pursuit of any other business with the discharge of the higher duties devolving on them as Public Accountants and as would put an end to the practice which has been much objected to of the division of profits with persons in other professions or callings in the form of commission or the like. That the Petitioners further desire that the members of the Corporation should be authorised to annex to their names distinctive letters indicative of their membership. AND WHEREAS by the said Petition the Petitioners on behalf of themselves and the other members of the said societies and of the profession generally most humbly prayed that We would be graciously

pleased to grant Our Royal Charter for incorporating under the title of the Incorporated Institute of Accountants in England and Wales or under such other title as to Us might seem fit and with all such powers and privileges as are mentioned in the Petition or such others as to Us might seem fit the Petitioners and the several persons who were then members of the said societies or of any of them and other Public Accountants who might thereafter become members of the Corporation in pursuance of the regulations thereof. NOW THEREFORE WE having taken the said Petition into Our Royal consideration and being satisfied that the intentions of the Petitioners are laudable and deserving of encouragement have constituted erected and incorporated and We by Our Prerogative Royal and of Our especial Grace certain knowledge and mere motion by these Presents for Us and Our Royal Successors do constitute erect and incorporate into one body politic and corporate by the name of THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES the said William Turquand John Unwin Wing Anthony Wigham Chalmers Henry Grosvenor Nicholson Jarvis William Barber Charles Henry Wade and Edwin Guthrie and such other persons as are by this Our Charter made or declared to be members or as shall hereafter be admitted as members of the said body corporate with perpetual succession and a Common Seal and with power to alter and renew the same at discretion Willing and ordaining that the said body corporate (hereinafter referred to as the Institute) shall be capable in law to take and hold any personal property and also to take purchase and hold lands buildings and hereditaments for the purposes of the Institute with power to dispose thereof but so that the Institute shall apply its profits (if any) or other income in promoting its objects and shall not at any time pay any dividend to its Members. AND WE do also will ordain and declare as follows (that is to say):-

Council of Institute.

1. There shall be a Council of the Institute (in this Our Charter referred to as the Council) consisting of not more than forty-five persons being Members of the Institute and two of the members of the Council shall be the President and the Vice-President of the Institute and also the President and the Vice-President of the Council.

First Members of Council.

2. Alfred Allott, Jarvis William Barber, John Bath, Josiah Beddow, John Blackburn, Henry Bolland, James Charles Bolton, Thomas Browning, George Augustus Cape, Edward Carter, William Cash, David Chadwick, Anthony Wigham Chalmers, Arthur Cooper, Joseph Davies, William Welch Deloitte, Walter Newton Fisher, John George Griffiths, Edwin Guthrie, Robert Palmer Harding, Alfred Cotton Harper, Edward Norton Harper, Edward Hart, Charles Fitch Kemp, George Walter Knox, George Herbert Ladbury, Roderick Mackay, Francis Nicholls, Henry Grosvenor Nicholson, Edward Thomas Peirson, Samuel Lowell Price, Thomas William Read, Joseph John Saffery, Thomas George Shuttleworth, George Edwin Swithinbank, Frederick Tendon, John Henry Tilly, William Turquand, James Waddell, Charles Henry Wade, William Henry Watson, Thomas Abercrombie Welton, Frederick Whinney, John Unwin Wing and John Young, shall be the first Members of the Council and William Turquand shall be the first President and Robert Palmer Harding shall be the first Vice-President and a vacancy in either of those offices shall be filled by the Council from their own body.

Tenure of Office of First Members of Council and President and Vice-President.

3. The first Members of the Council and the first President and Vice-President shall hold office until the first general meeting of the Members of the Institute and thenceforth until Members of the Council are elected and a President and Vice-President are elected or appointed respectively in manner by bye-laws of the Institute provided and the first members the Council and the first President and Vice-

President or his respective successor appointed by the Council under last foregoing clause shall be eligible or may be appointed at the first election or appointment.

Fellows and Associates.

4. The Members of the Institute shall be divided into two classes to be styled respectively Fellows and Associates. The first members of the Council and the persons who at the date of this Our Charter are Fellows of the Institute of Accountants in the recitals of this Our Charter specified (and hereinafter referred to as the Institute of Accountants of 1870) or of any of the other four Societies in those recitals specified except the Society of Accountants established at Liverpool in 1870 (hereinafter called the Liverpool Society) shall severally be and be styled Fellows of the Institute. The persons who at the date of this Our Charter are Associates of any of the five Societies in those recitals specified except the Liverpool Society shall severally be and be styled Associates of the Institute. The persons who at the date of this Our Charter are Members of the Liverpool Society and who have been continuous in practice as Public Accountants for five years before that date shall severally be and be styled Fellows of the Institute or Associates of the Institute as they severally elect by notice in writing delivered to the Council. The persons who at the date of this Our Charter are Members of the Liverpool Society and who have been in practice as public Accountants for less than five years before that date shall severally be and be styled Associates of the Institute.

Admission to Associateship.

5. The following persons shall be entitled to be admitted Associates of the Institute (namely):- (1) Every person who obtains a certificate of his having passed the final examination provided for by this Our Charter and (2) Every person who has before the date of this Our Charter obtained a certificate of his having passed the final examination required by the rules of any of the five Societies aforesaid and (3) Every person who for three years next before the date of this Our Charter

and thence up to the time of his applying to be admitted an Associate has been continuously in practice as a Public Accountant and (4) Every person who for five years next before the date of this Our Charter and thence up to the time of his applying to be admitted an Associate either (first) has during part of that time been in practice as a Public Accountant and has during the residue of that time served as a Public Accountant's Clerk or (secondly) has during the whole of that time served as a Public Accountant's Clerk.

Admission to Fellowship.

6. The following persons shall be entitled to be admitted Fellows of the Institute (namely):- (1) Every person who having been in practice as a Public Accountant on the first day of January one thousand eight hundred and seventy-nine and thence up to the time of his applying to be admitted a Fellow has at the time of his so applying been continuously in practice as a Public Accountant for five years and (2) Every person who being an Associate of the Institute has for five years next before the time of his applying to be admitted a Fellow been continuously in practice as a Public Accountant.

Council to decide as to facts.

7. The Council shall decide whether any person applying to be admitted a Fellow or Associate of the Institute has or has not fulfilled such of the conditions in the foregoing provisions of this Our Charter specified as are applicable in his case.

First meeting of Council.

8. The first meeting of the Council shall be held at No.3 Copthall Buildings in the city of London at noon on the third Wednesday after the date of this Our Charter.

Powers of Council and Provisional Management.

9. The Council shall have the management and superintendence of the affairs of the Institute and shall appoint and may remove and shall determine the duties salaries and remuneration of the Secretary

Solicitors Bankers Clerks Agents and other Officers and Servants of the Institute and shall determine the securities if any to be taken from them or any of them respectively and may make such arrangements and enter into such agreements with them or any of them as the Council shall think fit. The Council may also at Meetings at each of which (subject to the provisions of any bye-law) seven members at the least of the Council are present and acting lawfully exercise all the powers of the Institute except as to such matters as are by this Our Charter or by bye-laws of the Institute directed to be transacted by or at a general meeting of the Members of the Institute and until the first General Meeting of the Members of the Institute the affairs of the Institute and the Meetings and proceedings of the Council shall as far as may be and subject to any express provision of this Our Charter be conducted managed and regulated according to and by the Rules and Regulations of the Institute of Accountants of 1870 as if that Institute and the Council thereof were the Institute incorporated by this Our Charter and the Council thereof.

Application of Funds.

10. The Council shall have power to apply the funds of the Institute in acquiring extending and improving the library of the Institute and in the acquisition renting or erection and fitting up of a hall for the use of the Members of the Institute and in the purchase or renting of a site or sites for a library and a hall and in paying the salaries of librarians custodians and other officers and servants for any purposes of the Institute and in otherwise promoting the objects of the Institute: But the Council shall not apply the funds of the Institute in erecting or purchasing any building or in purchasing a site for any building without the approval of a general meeting of the Members of the Institute convened with notice of this object.

Exercise of Powers of Council.

11. All powers which under the provisions of this Our Charter may be exercised by the Council shall be exercised by them in accordance with

and subject to the provisions of this Our Charter and to the bye-laws of the Institute and the exercise of those powers shall be subject also to the control and regulation of any general meeting of the Institute but not so as to make invalid any act done by the Council previously to any resolution passed at a general meeting and any act or proceeding of the Council shall not be invalidated or be illegal in consequence of there being any vacancy in the Council at the time of such act or proceeding being done or taken.

Service under Articles of Clerkship.

12. A person shall not be allowed to present himself for the final examination under this Our Charter unless he has served for five years at the least as a Public Accountant's Clerk or if he shall have graduated in any of the Universities of Our United Kingdom for the time being then unless he has served for three years at the least as a Public Accountant's Clerk: And in the case of all examinations held after the expiration of five years or in the case of graduates as aforesaid three years from the time when the first Bye-laws made under this Our Charter come into operation service shall mean service under articles to a Member or Members of the Institute.

Examinations.

13. From the time when the first Bye-Laws made under this Our Charter come into operation the Council from time to time shall cause examinations to be held of all persons applying to be admitted Associates of the Institute and liable to examination and shall appoint Examiners for that purpose who shall hold office according to bye-laws of the Institute. Such examinations shall include preliminary examinations to be held before the candidates enter on service and may if the Council so determine include intermediate examinations to be held during their service and shall include final examinations to be held at or after the conclusion of their service. The Examiners shall conduct the examinations in such subjects and manner as shall be directed or

approved by bye-laws of the Institute and shall hold office subject to such conditions and shall receive such remuneration as shall from time to time be prescribed by such bye-laws. The Council upon the report of the Examiners shall grant to every person who shall satisfactorily pass any examination a certificate that he has passed the same.

Dispensation in certain cases with literal compliance with Charter.

14. The Council by the votes of three-fourths of such Members of the Council as are present and voting at a meeting of the Council specially convened with notice of this object may if they so think fit-

(1) In the cases and circumstances provided for by Bye-laws of the Institute elect as a Fellow of the Institute any candidate for admission as a Fellow or elect as an Associate of the Institute any candidate for admission as a Fellow or Associate although any such candidate may not have complied with the provisions of this Our Charter applicable in his case or (2) Allow any person to present himself for examination notwithstanding any informality in respect of his Articles of Clerkship or (3) Allow any person to present himself for final examination within the last three months of his service.

First Entrance Fees.

15. Notwithstanding anything in this Our Charter a person shall not by virtue of this Our Charter become or be or be entitled to become or be a Member of the Institute before the time when the first bye-laws made under this Our Charter come into operation unless and until he pays to the Institute the following sum as entrance fee (namely) in the case of a Member of any of the five Societies aforesaid becoming a Fellow of the Institute the sum of ten guineas or becoming an Associate of the Institute the sum of five guineas and in the case of any other person becoming a Fellow of the Institute the sum of twenty guineas or becoming an Associate of the Institute the sum of ten guineas and every such person on paying such entrance fee shall be entitled to a certificate of Membership of the Institute which shall be in force until the first bye-laws made under this Our Charter come into operation

or until such later time (if any) as those bye-laws prescribe.

Annual Certificates of Membership.

16. From the time when the first bye-laws made under this Our Charter come into operation every Member of the Institute whether Fellow or Associate shall so long as he continues to practice as a Public Accountant obtain from the Council in every reckoned from such days as bye-laws of the Institute from time to time prescribe a certificate of his membership and for every such certificate he shall pay to the Council for the use of the Institute such sum as may be prescribed in that behalf by bye bye-laws of the Institute not exceeding the following (namely) in the case of a Member practising as a Public Accountant in the metropolis if he is a Fellow five guineas and if he is an Associate two guineas and in the case of a Member not so practising in the metropolis if he is a Fellow three guineas and if he is an Associate one guinea (for which purpose the metropolis shall be the metropolis as defined by The Metropolis Management Act 1855).

Members may use certain Initials.

17. Any person while being a Member of the Institute may use after his name in the case of a Fellow the initials F.C.A. (representing the words Fellow of the Chartered Accountants) and in the case of an Associate the initials A.C.A. (representing the words Associate of the Chartered Accountants).

Voting and Presence at Meetings.

18. At every general or special meeting of the Institute every member shall have a vote but a Member shall not be entitled to be present at any meeting who is in arrear of any subscription or other sum payable by him under bye-laws of the Institute.

Fundamental Rule of Institute.

19. The rules next hereinafter set forth shall be deemed fundamental rules of the Institute (that is to say):- (1) A Member shall not allow any person not being either a Member of the Institute or in partnership

with himself as a Public Accountant to practise in his name as a Public Accountant; (2) A Member shall not directly or indirectly allow or agree to allow of participation by a Solicitor in the profits of his (the member's) professional work or accept or agree to accept any part of the profits of the professional work of a Solicitor or any commission or bonus thereon; (3) A Member shall not directly or indirectly accept or agree to accept from an Auctioneer Broker or other agent employed for the sale or letting of or otherwise in dealing with any real or personal property in the management administration or disposal whereof such Member or his partner or any of his partners shall be engaged any part or proportion of or any commission or bonus on the charges payable to such Auctioneer Broker or agent. And the following rule shall also be deemed a fundamental rule of the Institute with reference to all Members not being in practice as Public Accountant at the date of this Our Charter (that is to say): (4) No such Member shall follow any business or occupation other than that of a Public Accountant or some business which in the opinion of the Council is incident thereto or consistent therewith.

Exclusion or Suspension from Membership.

20. If any person while he is a Member of the Institute- (1) Violates any fundamental rule of the Institute applicable to him or (2) Is convicted of felony or misdemeanour or is finally declared by any court of competent jurisdiction to have committed any fraud or (3) Is held by the Council on the complaint of any Member of the Institute or of any person aggrieved to have been guilty of any act or default discreditable to a Public Accountant or (4) Is adjudged bankrupt or individually or as a partner makes an assignment for the benefit of creditors or under any resolution of creditors or under the order of a Court of Bankruptcy or under any deed or document has his estate placed in liquidation for the benefit of creditors or makes any arrangement for payment of a composition to creditors or (5) Being in practice as a Public Accountant at the date of this Our Charter enters into or begins

to follow any other business or occupation not in the opinion of the Council incident to or consistent with that of a Public Accountant or (6) Fails to pay any subscription or other sum payable by him to the Institute under this Our Charter or bye-laws of the Institute for six months after the same has become due he shall be liable to be excluded from Membership or to be suspended for any period not exceeding two years from Membership by a resolution of the Council passed at a meeting specially convened for that purpose with notice of the object at which meeting there shall be present not less than twelve of the Members of the Council and for which exclusion or suspension not less than three-fourths of those present and voting shall vote and the Member having first had an opportunity of being heard but any such exclusion or suspension may be at any time revoked or modified by the Council at a like meeting by such a majority as aforesaid subject to such terms and conditions (if any) as the Council think fit and notice of any resolution for exclusion or suspension shall forthwith be sent to the person affected thereby.

Saving in case of combined Businesses.

21. Provided always that where at the date of this Our Charter the business of a Public Accountant is being carried on in combination with some other business then the foregoing provisions of this Our Charter relative to the following of or the entering into or beginning to follow any other business or occupation shall not apply to a Member of the Institute who whether in practice as a Public Accountant at the date of this Our Charter or not continues to carry on that same combined business or after the date of this Our Charter becomes engaged in that same combined business either by himself alone or as a partner.

Persons ceasing to be Members to have no claim on Property.

22. If any person ceases for any cause whatever to be a Member of the Institute he shall not nor shall his representatives have any interest in or claim against the funds or property of the Institute.

Power to make Bye-laws.

23. The Institute from time to time may by resolution of a general meeting confirmed at a subsequent general meeting held not less than seven and not more than twenty-eight days after the former meeting make such bye-laws as to the Institute seem fit and from time to time rescind or vary any such bye-laws and make others in their stead but so that the bye-laws for the time being be not any respect repugnant to the law of England or inconsistent with the express provisions of this Our Charter.

First General Meeting and first Bye-laws.

24. The Council shall within ten months from the date of this Our Charter prepare draft bye-laws and shall send to each Member of the Institute a printed copy thereof inviting the Members to offer observations thereon within a time to be limited by the Council and the Council shall take into consideration all observations so offered and shall finally settle the draft bye-laws and shall send to each Member of the Institute the draft bye-laws as so finally settled and shall call a general meeting of the Members of the Institute for the consideration and adoption of bye-laws to be held on a day not less than one month and not more than three months after the expiration of twelve months from the date of this Our Charter and not less than fourteen days notice of the time and place of meeting shall be given to the Members by the Council and the meeting so called shall be the first general meeting of the Members of the Institute for the purposes of this Our Charter and all other purposes and the Chairman of that meeting shall be the President of the Institute or in his absence the Vice-President of the Institute or in his absence a Member of the Council chosen by the

meeting but any want of or irregularity in the sending of any such draft bye-laws or in the giving of any such notice shall not affect the validity of the bye-laws.

Purposes of bye-laws.

25. The purposes for which the Institute may in manner aforesaid from time to time make bye-laws include the following (namely):- For regulating the terms and conditions (other than but not inconsistent with those specially mentioned in this Our Charter) for and the mode of admission of Associates and the election of Fellows of the Institute; For (subject to the provisions of this Our Charter) fixing the entrance and other fees and the annual sums for certificates of membership and other sums to be paid by Fellows or Associates of the Institute and the times or periods at which such fees or annual or other sums shall be payable; For regulating the mode time and place of summoning and holding annual and other general meetings and special meetings of the Institute and the mode of voting including the voting by proxy or by ballot and the conduct of proceedings at any such meetings; For regulating the number of Members of the Council and their periodical retirement and the mode of nomination of Members of the Institute for election to the Council and the giving of notice of such nomination and the conduct of the election and the mode of filling casual vacancies and the meetings of the Council and the number of Members who shall be required to be present and acting thereat and the adjournment thereof and the proceedings thereat; For regulating the mode of election or appointment of the President and the Vice-President and their tenure of office; For regulating the appointment of Trustees and their powers and duties and the disposals of the moneys and property of the Institute; For regulating the appointment election rotation retirement and remuneration of an Auditor or Auditors; For regulating the service under articles of clerks of Members of the Institute and the forfeiture of such Articles for misconduct or other sufficient cause; For regulating the number and times and places of

holding examinations whether preliminary intermediate or final of candidates for membership of the Institute and the subjects for and the manner of conducting all or any such examinations and for fixing reasonable fees to be paid by candidates and others and the conditions on which the Examiners shall hold office and their remuneration; And generally such bye-laws as from time to time seem to the Institute requisite for the better execution of this Our Charter and the furtherance of the objects of the Institute; but no bye-law shall be made by the Institute providing for exclusion or suspension from Membership of the Institute for any cause and notwithstanding anything in this Our Charter the draft bye-laws prepared by the Council and submitted to the first general meeting shall provide that the first election of Members of the Council shall be had by means of the voting papers of Members of the Institute whether present at or absent from the place of election and not otherwise and bye-laws adopted at the first general meeting shall not be valid unless they so provide and those bye-laws may provide for all details of procedure relative to such voting papers.

Allowance of bye-laws.

26. Bye-laws made by the Institute shall not have effect until they have been submitted to and allowed by the Lords of Our Council.

Printing of Bye-laws.

27. The Council of the Institute shall cause all bye-laws when allowed to be printed with the form of allowance and to be published in the "London Gazette" with that form.

Application to England and Wales only.

28. This our Charter does not apply to Scotland or Ireland and where it mentions practice or service means practice or service in England or Wales. IN WITNESS whereof We have caused these Our Letters to be made Patent. WITNESS ourself at our Palace at Westminster the Eleventh day of May in the forty-third Year of Our Reign. By Her Majesty's Command **CARDEW** Source: *The Accountant*, 12.6.1880, pp.4-8.