

Patrick Honohan: Financial sector developments and architecture in Ireland – a constantly changing landscape

Address by Mr Patrick Honohan, Governor of the Central Bank of Ireland, at the launch of the book "*Bank architecture in Dublin – a history to c 1940*" by Dr Michael O'Neill, Dublin, 7 February 2012.

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Bank buildings in the 19th and 20th Centuries were everywhere designed to project confidence. As Michael O'Neill observes in this delightful book, the grand bank buildings which represent such an important component of Victorian Dublin were establishments "built as statements of intent...like churches, they suggest permanence, stability, longevity".

It is easy of course to make the contrast between the solid designs and structures of the older buildings with the more recent business models of their occupants. We all know which has proven more firm and has stood the test of time better.

Consider the austere approach of the Bank of Ireland – the central bank of its day – in its early years in the 1800s. Apparently there were problems of punctuality, even among the Directors. According to another classic Irish book on banking in the past, F.G. Hall's 1949 history of that bank (cited by Michael not least for its nice architectural chapter on the Parliament House across from us here in Foster Place), the Directors were fined 1s 1d for being 15 minutes late for a meeting; the Governor was fined 2s 8½d. The fine increased with the degree of lateness. And, in contrast to the trusting ways of latterday bankers, each Director was required to deposit 5 Guineas in advance from which the fines would be deducted. I wonder how many here can guess why such an odd amount as 2s 8½d? (Almost certainly it reflects the exchange rate of the time: 13 Irish pence equalled 12 English pence, so an English half-crown would meet the fine).

It's easy to be nostalgic about the past but in reality, whatever about the buildings they occupied, financial institutions were probably no more popular then than they are now. Victorian banks were conservative and mostly profitable. They generally charged more for borrowing in Ireland than the British banks, and seem to have upped the spread shortly after Independence, just to be on the safe side, I suppose. Over time they tended to collect more by way of deposits than they used in lending. The surplus was placed in the London money market. Times have changed.

As Michael reminds us in this book, the industrial structure of banking was very stable in Ireland for a century or more. With the shift towards joint stock, deposit-based banking, the private banks faded away and just seven firms, which became known as the "Associated Banks" dominated the scene. Each had its Dublin head office in the Dame Street/College Green area and we are standing in one of them, that of the Royal Bank, today. The Royal was – like the Hibernian – a Dublin-based bank, one of those which decided it could survive despite being precluded from issuing its own banknotes by the existence of the Bank of Ireland's monopoly. Others began with headquarters in Belfast (Ulster Bank and Northern Bank) or London (the Provincial and the National); and the Munster and Leinster had its origins in Cork. Each of the banks had its own cultural and social make-up, which explains why Daniel O'Connell crops up as promoter or supporter of three of them, though he is most associated with the National Bank. I was surprised a few years ago when visiting the main London office of the Royal Bank of Scotland to find a full length portrait of Daniel O'Connell in a prominent position at the top of the grand staircase. Tracing through the genealogy of the component banks of that group I realised that the portrait must have come from the old National Bank which sold its UK offices to Williams and Glyn in the 1960s, which in turn became part of the NatWest Group subsequently acquired by RBS. Continuity and tradition long remained the watchword.

The 19th Century saw a transformation in the design of banking halls, and Michael gives an illuminating account of the key elements. Illumination was indeed a major goal of the architects as they sought to bring light into the interiors through devices such as the clerestory – another echo of Church architecture emphasised by Michael.

Although many of the buildings are no longer used by the banks that built them, if you look closely enough in this neighbourhood, original bank names spring out at you from facades. The National Irish Bank on Dame Street carries the name “Hibernian, 1824” (in this case there is no continuity, as the Hibernian became part of Bank of Ireland, whereas NIB is a descendant of Northern Bank); “Provincial Bank Chambers” clearly inscribed over a door at the Westin Hotel in College Street reminds us where one forerunner of AIB used to be. And other less evident architectural and decorative details are signalled by Michael to the reader such as the former branch of the National in Rathmines with its “carved tympana with an Irish harp charged shield, placed between wolfhounds rampant.”

The main banks moved their headquarters out of the College Green/Dame Street area in the 1960s and 1970s. Bank of Ireland moved to Baggot Street in the 1970s and AIB moved its head office to Ballsbridge in 1979, just as the Central Bank tower block on Dame Street was being completed. This reflected greater centralisation of the business decisions and processing in headquarters leading to the need for larger central offices.

The prominent situation occupied by bank branches in the city has lent them a particular allure for other merchants and traders. Over the last decade particularly, sales of many bank branches have resulted in major changes in usage.

Just a few yards from where we are this evening in Foster Place is the original home of the Currency Commission – the forerunner of the Central Bank and indeed the first headquarters of the Central Bank of Ireland. I heard a wit saying that things have not changed much since the Central Bank moved out as the building now houses a waxworks.

The Central Bank’s tower in Dame St. was suitably large enough to accommodate all its staff until membership of the euro and the concentration of financial regulation (beyond banking) under the Central Bank umbrella in the early 2000s.

A further rapid expansion in Central Bank staff has come about since the financial crisis, reflecting in large part a rethink of the degree of intrusiveness and detailed supervision that is seen to be necessary for prudential purposes. This applies not just to the local banks. It may not be widely recognised that Ireland, through what is no longer formally called the IFSC, is the 15th largest international financial centre in the world according to tabulations by the IMF. No wonder it needs substantial staff resources to be sufficiently regulated. In this case it is not just a question of doing enough, but of being seen to do enough. Regulation is a public service both to the customers of financial firms and to the firms themselves, as well as, of course, a protection against losses that could fall on the State. Given what has happened elsewhere, any doubt over the quality of supervision and the degree to which international standards are being enforced on financial firms in the IFSC would adversely affect the functioning of that sector. Of course the cost of regulation is also a factor in industrial location; inefficient regulation can therefore be as useless as no regulation.

Now the Central Bank’s almost 1400 staff are a multiple of what can be accommodated in the Dame Street building, and of course we can’t imagine adding floors to the already notoriously over-high building. Staff in fact are now scattered across six locations as far apart as Spencer Dock and the top of Harcourt Street (in addition, of course to the Currency Centre in Sandyford).

As you have heard, the Central Bank is currently looking for a new home in the city. No firm decision has been taken, but it looks as if the clock is ticking for our occupancy of the Dame Street tower. We won’t go suddenly, and we won’t board it up. There could be scope to retain some central banking activities here for a number of years, if it takes that long before a suitable purchaser emerges. We have some ideas here and are open to others.

A new development on Dame Street has been the arrival of the Occupy Movement. While not everyone is happy with their being there, several people have said to me that their presence symbolises, albeit in a rather ambiguous and even incoherent way, the feelings of a large part of society in regard to what has gone wrong in the financial sector and with the banks. We don't welcome their presence, but – as long as no-one is harmed or put in danger by them – we are not at present inclined to take action to have them moved away.

All of this serves to remind us that the financial landscape in which we live – and transact – changes all the time. This publication provides us with an insight into the development of a fine architectural tradition. And valuably it chronicles how the evolution of trade and commerce has left its mark through the bank architecture around the city. I would like to congratulate Michael and the City Council on a fine publication.