

## Chapter 12

# The History of Cheques and Banking

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### Introduction

The history of cheques is closely connected to the history of the development of banking. It is also closely related to the law of bills of exchange. A cheque is, after all, a special type of bill of exchange.<sup>1</sup> The history of the development of these two instruments, although related, is distinct. Bills of exchange developed first as a method of paying for goods traded between merchants in different jurisdictions. These instruments subsequently also came to be used as a means of financing trade. They were and are instruments addressed to and dealt with primarily by merchants, by private capitalists. Whereas bills are addressed to a person instructing them to pay a sum certain either on demand or at some future, certain time,<sup>2</sup> a cheque is addressed to a banker and is payable on demand. This chapter traces the history of the development of the cheque up to the promulgation of the *Bills of Exchange Act 1882* (UK), which includes a part (Part III) dealing with cheques. In so doing, the chapter also sets out the origins of banking and explains the relationship between cheques, coinage, bills of exchange and banking. The chapter does not, however, examine the history or development of the banking sector or its regulation.

### From moneychangers to bankers: The Continent

The original bankers were the moneychangers or *campsores* in Italy who were integral to the development of the bill of exchange.<sup>3</sup> In the first instance, the bill of exchange was used as a means of payment. As trade developed, the number of transactions in which merchants were engaged expanded, the distances at

- 1 *Bills of Exchange Act 1909* (Cth) s 78(1): "A cheque is a bill of exchange drawn on a banker payable on demand".
- 2 *Bills of Exchange Act 1909* (Cth) s 8(1): "A bill of exchange is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to or to the order of a specified person, or to bearer".
- 3 See Chapter 9 of this volume.

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