

# The Lancaster Bank



**The Lancaster Bank (1818–1856) Face plate for \$100.00 note**

This is a picture of an engraved steel printing plate used to produce paper money issued by a Lancaster County bank before there was a national banking system. The original plate was in the archives of the American Bank Note Company and was recently sold at auction in New York City by American Numismatic Rarities. The backs of the printed notes were plain. Notes issued by The Lancaster Bank and other banks before the establishments of a nationally chartered banking system are today referred to as broken bank notes or obsolete bank notes. This reference is because many of the banks had few financial resources and they eventually faced financial problems that caused them to close their doors making their paper money worthless. Today, most obsolete bank notes are eagerly sought by collectors of early American paper money.

The following is a brief history of The Lancaster Bank:

The Lancaster Bank began life as Lancaster Trading Company, and enjoyed a rather long period of operation under this title from 1818 until 1856. This was extensive enough for the bank to have an interesting history, a few comments concerning which are given here.

In time the Panic of 1857 took place, in August of that year, by which time problems had been brewing for quite some time. It is not as well known among historians that times were also difficult for many banks in 1855 and 1856. In December 1856, *Banker's Magazine* printed this:

"The Lancaster Bank, with a capital of \$403,900, and circulation about \$500,000, suspended payment on the 15th November, in consequence of a pressing demand for specie in payment of its bills, arising from the refusal of the banks and brokers of Philadelphia to take the bills on deposit. Mr. B. C. Bachman resigned the presidency a few days before the suspension, and is succeeded by Mr. A. Herr Smith."

Then this in the January issue:

"Efforts have been made within a few days to reestablish the Lancaster Bank upon new capital. The bill holders are secured by the liabilities of the stockholders for the debts of the institution. Of this liability the Greensburgh (Pa.) *Argus* gives the following statement: "The corporate stock is first liable, and upon failure of the stock to pay the debts of the bank, the stockholders are individually liable to the note holders for a sum of money equal to the par value of the stock held by them respectively; and upon failure of the individual liability and stock of the stockholders to satisfy the claims of note holders, the stockholders for one year preceding the failure of the bank, who had assigned their stock, are liable for such losses as happened while they were stockholders. The officers of the bank were required to swear that they would observe the laws of the charter, and if they willfully violate the charter, it was considered perjury, and subjected them to punishment in the penitentiary. A failure to redeem the notes of the bank in gold and silver, created an absolute forfeiture of the charter, and if the transactions of the bank are fraudulent, the directors of the bank, whose acts occasioned it, are liable in the whole amount of their estates for the payment of the debts of the bank; and the insolvency of the bank was to be deemed fraudulent, unless it should appear, upon investigation, to be "fairly and legally administered."

Followed by this in the March 1857 issue:

"B.C. Bachman, president of the Lancaster Bank at the time of its suspension, has been arrested on a charge of embezzlement. David Longenecker, the former president, has also been arrested on a similar charge, and held to bail to the sum of \$24,000."

*The Lancaster Express* says: "The complaint charges, that some time in the month of March, 1856, David Longenecker, then president of the Lancaster Bank, and B. Backman, cashier of said Bank, paid fifty thousand dollars of the money of the Bank to the Lancaster Savings Institution, on the notes of W.L. Helfenstein, which notes were endorsed by either the President or cashier of said Bank in their individual name or names, and other Directors of said Bank; that at the maturity of these notes they were presented at the Bank for payment, and were directed by the cashier to be paid, although, at the time, Mr. Helfenstein had no funds in that Bank to his credit to meet. them-thus appropriating the funds of the Bank to their own private indebtedness to an amount exceeding \$50,000, The complaint further charges, that the said David Longenecker, as president of the Lancaster Bank, did, at various times, appropriate the funds of said Bank to his own individual use and benefit, and also that he loaned out sums of money, the property of said Bank, without the knowledge or consent of the directors, to individuals, without security, and which have been since lost to the Bank."

This was the end of the bank. It did not live to suffer in the Panic of 1857, which began the following autumn.