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Alves Reis, Lisbon 1925

ALVES REIS AND THE PORTUGUESE BANK NOTE SCANDAL OF 1925.

By Andrew Bull

The first Portuguese Republic (1910-26) did not, as its supporters had hoped it would, issue in the dawn of a new and better age for Portugal; rather it perpetuated the political instability and general corruption that had brought down the monarchy. Of the ten presidents who took office during this troubled period, only two, Manuel Arriaga (1911-15) and A.J. de Almeida (1919-23) served as long as four years. One president, the dictatorial Sidonio Pais, was assassinated, and in the notorious 'dente de oro' multiple assassinations (so called because one of the ring leaders sported a prominent gold tooth) of 1921 the Prime Minister, Granjo and two of his cabinet lost their lives. Governments lasted on average about six months, but administrations of one month and even of ten days were known. Such instability led to periodical revolutionary attacks on the government from left and right; plots and attempted coups d'état were rife, but the incompetence, chaotic administration and consequent widespread discontent and decline continued.

In such a situation the economic position of the country and its colonies suffered almost continuous decline. Portugal's gold reserves were the lowest in Europe. The Bank of Portugal, which was partly in private hands, had issued notes far in excess of its permitted level; consequently the escudo had fallen in value in relation to the pound sterling from 7\$54 in 1919 to 127\$40 in 1924.

It was during this sad period of the nation's story that the amazing Bank Note Scandal occurred. It could have happened at no other time in Portugal's history. In 1932, speaking in the House of Lords, Lord Macmillan of Aberfeldy opined that it was 'a crime for which, in the ingenuity and audacity of its conception, it would be difficult to find a parallel.'

This almost incredible fraud was the brain-child of only one man, Artur Virgilio Alves Reis. Though he was obliged to use the help of some accomplices, without whom the coup would have been impossible, at no time did any one of them know the full extent of the plot. Each was told just enough for him to carry out his part in the daring scheme.

Alves Reis was born in September 1896 in Lisbon, the son of a funeral director who had himself gone bankrupt during his career. After a normal childhood and adolescence, Alves Reis took a course in practical engineering in which he found himself adept. In 1916 he married Maria Luisa Jacobetti d'Azevedo; so far there was nothing unusual. However Alves Reis knew that, especially in Portugal, there was nothing better for an ambitious man to have than a degree or diploma which would allow one to style oneself 'Senhor Doutor' or 'Senhor Engenheiro.' To achieve this envied status, Alves Reis set about forging a diploma: this was n° 2148 issued by the (non-existent) 'Polytechnic School of Engineering of Oxford University' which stated that he had qualified in 'Engineering Science, Geology, Geometry, Physics, Metallurgy, Pure Mathematics, Mathematics, Palaeography, Electrical Engineering, Mechanical Engineering, Applied Mathematics, Chemistry, Applied Physics, General Civil Engineering, Civil and Mechanical Engineering, General Engineering and Mechanical and Civil Design.' Armed with this polymathic degree duly signed by 'Henry Spooner, Director of the Polytechnic' and by 'John D. Peel, Chancellor of the University' and notarised in Sintra, Alves Reis emigrated with his wife to Angola in 1916.

Once in Luanda, Alves Reis' spurious degree and boundless self assurance soon got him a post in the Department of Public Works. In addition to this he took a second job (from 5.00 a.m. to 9.00 a.m.) as Supervising Engineer in the main railway repair shop. Here he set himself the job of restoring a number of locomotives that his colleagues had said were beyond repair and shocked his fellow engineers by actually getting his hands dirty and working on the machines himself. Having successfully repaired these machines, he

then persuaded the authorities that they should buy new locomotives from the U.S.A. and, when his jealous colleagues complained that these were too heavy for the bridges they would have to cross in Angola, proved them wrong by taking his wife and infant sons with him in the cab and, with crowds turning out to watch, triumphantly driving the locomotive and accompanying wagons over the most suspect bridge. With this resounding achievement behind him Alves Reis was promoted in 1918 to be Inspector of Public Works and Acting Chief Engineer, no small achievement for a man of 22. However, the following year he resigned his posts and travelled into the interior of Angola, buying Angolan produce and selling goods imported from Europe. Two especially profitable (and risky) deals may be mentioned. The first, when he bought some heavy duty war surplus French paper sandbags and successfully sold them on as jute and the second, when he found some unused but rusted and apparently unworkable German tractors in a warehouse. These he picked up for a song, repaired and painted them and sold them on as new machines.

By 1922 with capital behind him of some 600,000\$00 (or £6,000) behind him, Alves Reis decided to return to Lisbon and to start his own import/export company, A.V. Alves Reis e C^a. doing business in Angola. In this venture he was, however, unsuccessful. Because of the parlous state of the Angolan economy, worse even than that of Portugal, currency dealings between the colony and the mother-country were stopped. Moreover Alves Reis had invested in the South Angolan Mining Company which was proving to be a disaster as no ore had been discovered. Very soon he was in serious financial trouble: to escape from this and by complicated financial manoeuvres, he bought control of the Angolan Ambaca Railway C^o. when he learnt that the Portuguese Government had loaned this company over £20,000 to pay off bond coupons. Once in control of this company, he used the money to honour his cheques and to buy the Angola Mining C^o. When his fellow Ambaca directors discovered what Alves Reis had done, he was taken to Oporto (where he was almost unknown and had few friends) and was jailed for embezzlement in July 1924. While there, Alves Reis instructed

his wife to sell all their assets to raise bail and pay legal fees; he also used the time to study minutely the laws governing the note issuing Bank of Portugal.

What drove Alves Reis to make this study can only be conjectured but, having made it, he came up with a plan for making a fortune beyond his wildest dreams. He discovered that the Bank of Portugal was largely in private ownership, though there were some government held shares, and that profits were divided annually among its shareholders. Since 1887 the Bank had had the exclusive right to issue notes equal in value to the amount of twice its paid up capital. Since 1891 notes were no longer convertible into gold and, by 1914, the Bank had authorised the emission of bank notes to more than 100 times its paid up capital. In fact between 1918 and 1923 the number of escudo notes in circulation had gone up sixfold which had, of course, led to inflation and to the depreciation of the escudo in relation to 'hard' currencies such as the pound and the dollar. What must have startled and delighted Alves Reis was the discovery that the Bank of Portugal had no provision for checking bank notes and therefore controlling the issue of duplicate notes, in addition, in order to economise, when used notes were returned to the Bank, they were washed, pressed, sorted by series and number and re-issued (whereas in Britain, for example, soiled bank notes were recorded and destroyed). Working from official estimates of the amount of money in circulation and from the average size of individual issuances of notes, Alves Reis calculated that 300,000,000\$00 (£3,000,000) could be inserted into the Portuguese economy without upsetting the official machinery.

When he was released in late August on bail, Alves Reis immediately went to work to prove that his incarceration had been the work of political enemies and to develop his daring plan. He realised that he could not put it into effect without collaborators but, shortly before he had been jailed he had, by chance, met the men who were to assist him in putting the plan into action.

The first of these was José dos Santos Bandeira, a womaniser and petty crook, whose elder brother happened to be the Portuguese Minister to the Hague. The younger Bandeira had, like Alves Reis, emigrated in his youth, but to South Africa, in 1900. There he had been convicted and jailed three times, firstly for burglary, secondly for receiving stolen property and thirdly for



José Bandeira in Prison Garden, 1936



Adolph Hennies, 1934

supplying liquor illegally to the natives. With this unsavoury record behind him he returned to Portugal in 1912. Through his father's influence he was given a job in the English firm of Garland, Laidley in Lisbon. In 1914, he returned to his old tricks, stole £325 from the firm's safe and fled to Mozambique (leaving his unfortunate father to repay the money). Once back in Africa he stole again from the Mozambique Railway Company where he was working and hastily left for S. Africa (this time a friend repaid the money). By 1921 Bandeira had returned to Europe and his father had sent him in desperation to stay with his bachelor brother in the Hague. António

Bandeira was not much better than José; a compulsive gambler, he was deep in debt to a Dutch bank and his current mistress was wife to one of his fellow ambassadors.

José it was who introduced Alves Reis to the other two conspirators. The first of these, Adolf Hennies, had been originally called Johan Georg Adolf Doring. A native of Germany, he had worked as a young man in Kassel as a tobacconist, married and had a child. When he learnt that a second child was on the way, he abandoned his family, fled to New York and then to Brazil, where he changed his name to Hennies and his nationality to Swiss. There he worked as a sales manager for Singer Sewing Machines. On the outbreak of the First World War, Hennies, as he now was, travelled on his new Swiss passport to Germany where he joined the German Purchasing Commission and made a very good living routing prohibited goods from neutral Holland and Denmark to Germany via Switzerland. It was during this period that he first became acquainted with Marang.

Once Hennies saw that Germany was going to lose, he transferred his money to Holland and, by 1918 he had amassed about £19,000. Once the war was over, Hennies became involved in illegal speculations in munitions in Poland where he netted £10,000 and in currency speculations in Germany which gave him a further £9,000 profit. Hennies and, to a lesser extent, Marang were chosen by Alves Reis to bankroll the plan.

The last of the ill-assorted quartet was Karel Marang, a Dutchman. Marang had done very well out of the War also, supplying food, oil and coal illegally to Germany, via Adolf Hennies who received a 10% commission on the gross value of the shipments. After the War, in 1920-23, Marang founded his firm, Marang & Collignon, and dealt in coffee shipments to Persia and the Middle East and in African vegetable oils to Germany. Business did not prosper for Marang and, by 1924 he was in debt to the banks to the tune of £20,000 on which he was obliged to pay high interest. Marang, however had managed to buy a Liberian Diplomatic passport (as Consul General to Petrograd!) and was also Honorary

Consul of S. Salvador and Persia. Something of a snob and a title hunter, he had added van Ysselveere to his name and was to be very useful in Alves Reis' plans as a 'front man.'

What then was the great fraud that Alves Reis had planned in his jail in Oporto in the summer of 1924? Briefly it was to persuade his collaborators and, subsequently a printer of bank notes, that a group of financiers had offered to lend the bankrupt colony of Angola £1,300, 000 and was to be given the right by the Bank of Portugal to issue bank notes to that value. The twist was that Alves Reis had to persuade both the printers and his group that, since the Bank of Portugal directors were bitterly divided over the whole deal, it had to be done with the utmost secrecy and the he was to be the sole intermediary between the printers and the Bank.



Karel Marang

For the second time in his career Alves Reis turned his hand to forgery. First he drew up the spurious contract on 'papel selado' (the government stamped paper of those days upon which all official business was transacted). He then had the contract notarised by a local notary and had the notarised signature duly recognised by the British, German and French Consulates, all with their appropriate

and impressive seals. Following this he had his office manager, Francisco Ferreira, retype the contract on 'papel selado' in Portuguese and French in adjoining columns. Alves Reis then took the new document away with him and carefully forged the signatures of Francisco da Cunha Rego Chaves, High Commissioner of Angola, Daniel Rodrigues, the Minister of Finance, and Delfim Costa, the technical representative of the Angolan Government. He cut off the notarisations from the original 'papel selado' and then bound them to the new one with tape and sealing wax which he imprinted with the seal of the Portuguese Republic. To this impressive document he appended two notes, one of 1,000\$00 and one of 500\$00 which were the notes that the group were supposedly to be allowed to have printed.

Alves Reis had originally planned to use German printers but Hennies warned against that as German printers no longer had a good reputation since the great inflation in that country had flooded the market with valueless German notes. Marang then suggested Enschedé, the leading and highly reputable Dutch firm of printers; when this firm was approached however, it quite properly refused to print notes from another printer. The manager suggested that Marang approach the original printer and Marang, of course could not admit that he did not know who that printer was. Marang did, however happen to have a 500\$00 note, the 'Vasco da Gama' note, on him and that note had the imprint of Waterlow & C^o on it. Enschedé was happy to give Marang a letter of introduction to Sir William Waterlow, the Managing Director of that firm. António Bandeira then gave Marang power of attorney on his official paper to act in the name of Alves Reis.

Sir William Waterlow was divided by family jealousies from his cousin and fellow director Edgar. He was an immensely stubborn man and as a contemporary of his recorded, many years later, his opinion that 'the stupidity of Sir William as being largely responsible for the complete success of this confidence trick. He was a pompous man and, like all pompous men preferred to rely on his own judgement rather than trust that of others.' Throughout Sir

William's connection with Marang only two other directors ever knew of the plan.

In December 1924 Marang persuaded Sir William that his syndicate was going to advance Angola 5,000,000\$00; in return the Bank of Portugal would authorise the syndicate to issue a special printing of bank notes which would be overprinted 'Angola' when they reached the colony. The first hitch came when it transpired that Waterlow, like Enschedé, could not print another firm's notes. The notes that Alves Reis wished to have reproduced had, in fact been made by a rival firm to Waterlow; Bradbury, Wilkinson, Ltd.. As Sir William did not want to lose the business he suggested that the plates for the 'Vasco da Gama' 500\$00 note, that Waterlow had produced before for the Bank, be used again. To this Marang was forced to agree. Though Marang stressed the secrecy of the whole deal (he said that only the Governor and the Deputy Governor were privy to the affair, which had to be extra-secret as the Ulrich brothers, who were Directors of the Banco Nacional Ultramar, the sole bank authorised to issue notes for Angola, were also Directors of the Bank of Portugal and should never know of the deal), Sir William, not unnaturally, insisted that he have a letter of authorisation from the Governor of the Bank of Portugal. He did agree however that the letter requesting this confirmation be sent via José Bandeira and he also gave a letter of introduction to Waterlow's representative in Lisbon, Henry Romer. As soon as Romer got wind of this extraordinary deal he repeatedly sent warnings to Sir William as to the irregularity of the affair, stressing that only the Banco Nacional de Ultramar had the right to issue notes in Angola. But Sir William turned a deaf ear to all such alarms.

On Christmas Eve 1924 Alves Reis forged a second contract note using the signatures of the Governor of the Bank of Portugal, Camacho Rodrigues, and his Deputy Mota Chaves, which he traced from bank notes in his possession, and bound them to the original contract with its notarial signatures and the seal of the Portuguese Republic. Though this was not the letter that Sir William had requested, though the second contract was undated and though the

notarisation dates did not correspond with the second contract, he accepted this document as genuine and wrote a letter of confirmation to Camacho Rodrigues via José Bandeira, after having the contracts notarised in English.



Sir William Waterlow

The resignation of the Governor of Angola at this time over the appalling state of affairs in the colony, which was of course reported in the Portuguese and British press, strengthened Alves Reis' position. He now had to fake a letter from Camacho Rodrigues to Sir William and, what is more he had to fake Bank of Portugal stationery on which to write this letter. This he did with the aid of a local printer, though the heading was actually not the same as the genuine article (for example the Bank did not use the coat-of-arms of the Portuguese Republic that Alves Reis added to his paper). In this letter 'Camacho Rodrigues' purported to confirm the arrangement that all communication should be through Marang, who was also authorised to take delivery of the notes; in addition the syndicate had authorisation to numerate, date and place the alternating signatures that would appear on the notes which would, as Marang had stated,

have 'Angola' overprinted on them when the notes reached the colony. 'Camacho Rodrigues' also asked for the names of the directors which would appear on the notes. (It was significant that Sir William never queried why it was that the Governor of the Bank of Portugal did not know this information!) In giving the alternation of the directors' signatures and the numerating of the notes, Alves Reis was at a disadvantage as he did not know and could not establish, what system the Bank of Portugal used. In fact he made two serious errors: firstly he gave instructions that the directors' signatures should alternate after every 10,000 notes, when in fact the Bank alternated them every 20,000 and secondly, he was unaware that the Bank never used two vowels together in the numerating process e.g. AE, AI, or numerated them beyond 1AN.

In February 1925 Marang took delivery of the first batch of 20,000 notes, 15,000 in a specially made valise and the balance in a parcel. Using the diplomatic privileges of a consul of Liberia and a *laissez passer* from António Bandeira, the notes were then transported to the Hague. There a 'summit conference' took place among the four and it was agreed that the profits from the deal should be split four ways, with special arrangements being made for the money that Marang and Hennies had already disbursed and for the supposed bribes that Alves Reis had made. The money was then sent on, with its diplomatic immunity, to Lisbon.

In March Marang brought a further 30,000 notes to Lisbon. Ironically while he was in Portugal on this fraudulent mission, he also represented the Dutch Red Cross at an International Congress of that organisation and received the decoration of the 'Ordem Cristo' from the Portuguese Government. Later, Hennies came in with yet another batch of 20,000 notes and was almost caught by the Portuguese customs, only Alves Reis' quick thinking and consummate bluff got him out of this danger.

With the first £800,000 worth of notes now safely in Portugal, the next task was to 'launder' them. Once again Alves Reis had devised a plan for this. Firstly he sent José Bandeira and his

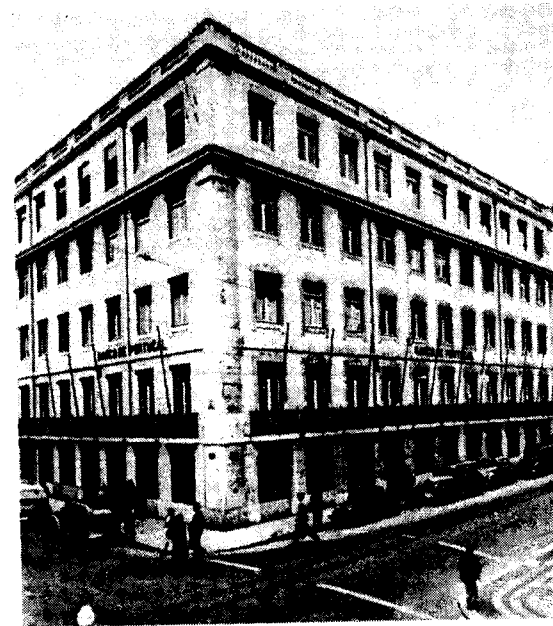
office manager, Ferreira, to Oporto with some of the notes, as he knew that a lot of illegal currency dealing went on there. In Oporto the two men hired 'zangões' (drones), freelance currency dealers, who used the notes to buy hard currency on the black market, receiving a commission of 2% for their pains. Secondly he instructed his henchmen to open bank deposits in suburban and country branches of the major banks with the Vasco da Gama note and subsequently made withdrawals in genuine notes from the head offices of these banks. It looked for a moment that he might be in danger when a suspicious bank manager sent one of the notes to the Bank of Portugal but the latter was reassured when the Bank replied that the note was perfectly good; so the game went on.

Now that, at last, he was seriously rich Alves Reis began to launch out. He bought the Palácio de Menino de Ouro, formerly the home of the deceased millionaire, Luis Fernandes 'the Menino de Ouro' (now the home of The British Council in Lisbon) with its enormous safe in the library, for £10,000 cash and he gave his wife a further £10,000 worth of jewellery and clothes. On a bigger scale, he began investing in real estate in Portugal and in acquiring Angolan corporations. In



Banco de Portugal bank note

June he formed the Bank of Angola & Metropole, with its headquarters in the Rua do Crucifixio, specifically to deal with Angolan affairs. At this time too, he began the most daring plan of all, namely of buying up a majority of the shares of the Bank of Portugal itself; in this way he planned to gain control of this institution so as subsequently to hide the deception. He considered that he would then be able legitimately to issue bank notes at will: for sheer effrontery this last plan is hard to beat.



Bank of Portugal, Lisbon 1925

By now Alves Reis had learned of his mistake in having notes printed with the double vowel or with letters beyond AN. These doubly false notes he hid in his vast safe in the Palácio de Menino de Ouro. They had a face value of £90,000. At one stage he was tempted use them but discovered that they smelled too much of fresh ink. Still hoping to use them he then added camphor. When they now came out smelling of both fresh ink and camphor he

decided with Ferreira to experiment and to wash some of them with water and the juice of several dozen lemons. After several hours of soaking the smell had gone but the notes had acquired a reddish tinge. He ironed them dry, but the reddish tinge persisted and made them useless. Ferreira then came up with the idea of using a strong solution of water and glycerine. Another experiment was tried. This removed the smell very efficiently - it also shrunk the notes by a full quarter of an inch. Never disheartened, Alves Reis now decided to make another order to Waterlow's, this time for 380,000 notes, this time with the correct numerating. Even so he made a mistake, for he listed one of the Bank's directors, whose name would appear on the notes, as 'A. Pereira Lima', when it should have been 'A. Pereira Junior.' Helpfully Waterlow's pointed out this mistake before it was too late and Alves Reis was able to rectify it.

This time Alves Reis decided to use a somewhat more authentic diplomatic cover to transfer the notes, so he bribed the Venezuelan Minister to Lisbon, D. Simon Plancez-Suarez, with £2,000 worth of Vasco da Gama notes to bring parcels containing this new order of notes in with his diplomatic baggage without telling him what the parcels contained. Waterlow's advised the gang that these notes would cost £2,850 to print and that they would be ready in two instalments, the final one at the end of September. Significantly, these notes were to be issued with the same serial numbers as the original legitimate order. Alves Reis arranged with Marang that he should send someone from Lisbon to the latter's office in the Hague to count these notes and place them out of sequence.

It was at this time that José Bandeira now also began to flaunt his new found wealth. He bought three large quintas from impoverished aristocrats, invested in a fleet of taxis, a shirtmaker's and a barber's and was often to be seen being chauffeur-driven around the city in one of his Hispano Suizas. To impress one of his mistresses, a Dutch actress Fie Carelsen whom he had invited to Lisbon, he loaned money for the refurbishment of the Ginásio

Theatre and he also made an attempt to buy the 'Diario de Noticias' for £90,000. In addition he was prodigiously generous to a succession of mistresses and former mistresses. He was determined to live up to what he imagined was a high capitalist style.

In Portugal the financial chaos continued. No less than five banks collapsed at this time because of governmental withdrawals from their African branches. In this climate the extraordinary effulgence of the mysterious new Bank of Angola & Metropole appeared even more remarkable.

By September the new notes had been re-sorted and transported to Lisbon by Planas-Suarez and poured into the ailing Portuguese economy. More property was purchased, foreign currency bought up, loans made and Bank of Portugal stock acquired. To get control of Portugal's central bank, which had placed special restrictions upon the voting rights of shareholders to prevent nepotism and corruption, Alves Reis knew he would have to get 900 votes and this meant buying 45,000 shares. Since the Bank of Angola & Metropole was prohibited from buying Bank of Portugal shares, Alves Reis instructed José Bandeira, whose special responsibility this was, to use brokers to buy these shares. This sudden flurry, in what was normally a very quiet stock, not unnaturally sent the shares soaring from £8 to £14. Nevertheless by September, Alves Reis and his nominees had acquired only 7,100 shares representing a mere 140 votes. He instructed José Bandeira to redouble his efforts. Meanwhile Planas-Suarez brought in a further 150,000 notes which he stored for the time being in his flat, which was of course Venezuelan territory

With Alves Reis lending 'hard' money to Angolan companies and opening branches of his bank in the colony, Angola, like the mother country started to see a dramatic recovery in its economic climate. In Portugal the escudo at last began to rise against other currencies, for example against the pound sterling it rose from 127\$40 in 1924 to 113\$03 in 1925.

In October Alves Reis, his wife and Hennies sailed for Angola. On arrival in Luanda he found himself regarded as the great hope of the colony. Once in Angola, Alves Reis went on another spending spree. By November he had bought land totalling 1,250,000 acres and interest in several companies. When his ship sailed for Lisbon at the end of that month he left as a saviour, covered in a blaze of glory.

Of course it could not last. The Portuguese press was one of the most liberal in Europe at this time and, while Alves Reis was in Angola, 'O Seculo' started an investigation into this extraordinary new bank which appeared to thrive by making enormous loans without requiring deposits. The paper raised questions as to the history and financial probity of the hitherto unknown directors and especially Alves Reis. It also raised the spectre that Germany, through the agency of Adolf Hennies, was angling to take over Angola itself in compensation for the colonies it had lost in the recent World War.

It was however a humble teller in Oporto, Manoel Lutero de Sousa, who worked for a money changer, A.P. da Cunha Silva, who himself was involved in 'laundering' the Vasco da Gama notes, who started the avalanche that was to bring down the gigantic edifice that Alves Reis had built and, incidentally to bring down also the First Republic. Though de Sousa could not himself see how these notes were fraudulent, he knew that they had to be once his suspicions had been alerted by the newspaper reports. De Sousa took one of the notes and his suspicions to the local manager of the Bank of Portugal. The latter in turn alerted his Head Office in Lisbon. Head Office immediately sent up a team of experts in the art of detecting counterfeiting, led by José Pedroso, to Oporto. This team, with the support of the local police, raided the money-changers and a nearby jewellers that had also taken in the notes and the unfortunate owners of these places were jailed. The team became increasingly baffled and alarmed (they had jailed citizens without a warrant and on mere suspicion) when Pedroso, after minutely inspecting the notes, declared them good. In desperation one of their number, Luis

Alberto Campos de Sa, started comparing individually the numbers and the series of the notes. He finally discovered the duplicate numbering and only then did the daring swindle come to light. At last Alves Reis' run of luck had ended and the whole enormous fraud began to unravel, with great consequences for Portugal itself and for all those involved.

Alves Reis was warned by friends that the game was up while his ship, a German registered vessel, was awaiting the pilot in Cascais Bay. Typically he decided to brazen it out. Equally typically Hennies slipped away on the pilot boat and later re-boarded the ship which was sailing on to Germany. There he went to ground.

In matters of this kind, secrecy is impossible; rumours flew through the country and the police in the larger cities had to deal with rioting near the major banks. The Directors of the Bank of Portugal immediately agreed that all the Vasco da Gama notes should be recalled and notes of a different series issued. If, however, any individual handed in more than twenty of these notes he would have to sign a receipt for them.

Now the fat really was in the fire. Alves Reis stoutly maintained the fiction that he had been ordered by Camacho Rodrigues and Mota Gomes to deal secretly with Waterlow's. The investigating judge, one Pinto de Magalhães, an emotional man given to precipitate judgements, decided that Alves Reis was innocent (before any trial had taken place) and arrested the two Directors. Sir William travelled to Lisbon with his wife and members of his staff but failed to do anything helpful to sort out the matter. In fact so great was the fury of the Portuguese at this time, that Sir William and his party had to leave shortly afterwards under assumed names.

As the investigations proceeded the apartment of Planas Suarez was raided, even though it was diplomatic territory, and 85,000 of the Vasco da Gama notes were discovered. Venezuela was asked to remove its representative forthwith. The police raided

the Palácio de Menino de Ouro and opened the great safe there to discover the duplicate notes that Alves Reis had hidden. At this juncture Pinto de Magalhães was replaced by someone more stable and the two Directors were re-instated, while the original discoverer of the fraud, Manuel de Sousa was rewarded with the sum of 3,000\$00, which was to be paid to him in instalments lest the amount went to his head! 'O Seculo' now widened its press campaign to refer to the general and endemic corruption in Portugal which had allowed a climate to develop in the country where these things could happen, and to demand that radical change be brought about to restore the country from its present sad condition.

Of the four main conspirators, José Bandeira surrendered all his money and was jailed awaiting trial as was Alves Reis, who still strove to implicate Camacho Rodrigues and Mota Gomes. Marang, protesting all along that he was innocent and had believed Alves Reis' story, was jailed in Holland, while Hennies, now safely in Germany, resumed his original name of Doring and made contact with his two daughters (their mother had previously died), posing as a man of fortune.

In May 1926, the whole rotten edifice of the First Republic was swept away by the army revolt led by General Costa Gomes. Two years later, António Oliveira de Salazar took over as Finance Minister and later Prime Minister and the long reign of the Estado Novo was ushered in.

Epilogue

The rest of the story is soon told:

By 1932 Hennies had lost the fortune he had accumulated and was on the dole. In these straits he attempted to blackmail a former mistress, Annaliese Angold. She however reported him to the police and he was jailed, though not extradited to Portugal. When he came out Hennies was a ruined man. He died, penniless, in Berlin in 1938.

Marang came out best. Protesting his innocence to the last, he was tried in the Netherlands and jailed for eleven months for receiving stolen property. However, as he had already been eleven months in jail awaiting trial, he was immediately released. Shortly afterwards he moved with his family to Brussels and then to France. There he bought a business making electric chandeliers; he became a member of the Dutch Reformed Church and a naturalised French citizen. In 1946 he settled in Cannes and in 1960 he died, surrounded by his family, a respected and wealthy business man.

In Portugal a special tribunal was formed to try the conspirators with a President and seven judges, as no existing law covered a fraud on this scale. Alves Reis' lawyers used every means within their powers to delay the trial, hoping that passions would die down, but in 1930 it finally took place and was, naturally, the talk of the country. Alves Reis, who had until this time stoutly maintained his innocence, suddenly changed his plea to guilty and confessed all in a dramatic oration which lasted some five hours. When questioned by the judge as to why he had suddenly done this, Alves Reis rebuked him for trying to peer into a man's soul. He, José Bandeira and, in his absence, Hennies were condemned to eight years imprisonment which was subsequently increased to by a further seven, so the two men came out just as Lisbon was celebrating the end of World War II, in May 1945.

José Bandeira, like Hennies, failed subsequently to prosper in various somewhat shady business deals. In the end he was supported mainly by his long-suffering family and partly by his former mistress Fie Carelsen. He died after a fall in 1960, having been pre-deceased by his brother António who had died in exile in Madeira in 1936.

Their leader, Alves Reis, was converted while in prison to the Evangelical Protestant Faith and, after his release, wrote tracts and articles and spoke on behalf of his new religion to which his wife and three sons were also converted. His one attempt to re-enter

business on behalf of his sons was a disaster. He finally retired and died shortly after Maria, almost penniless, in 1955.

What then of Waterlow's? The Bank of Portugal, not unnaturally, went to law to sue the firm for negligence. However, as Sir William was to serve as Lord Mayor of London from November 1929, the trial was postponed for a year. It was only in November 1930 that the celebrated Waterlow Bank Note Case opened, with the Bank of Portugal claiming £1,115,613 in damages. The British press revelled in the amazing story and the Judge awarded the Bank £531,851 in damages and a further £50,000 in costs. At this Waterlow's appealed to the High Court, which assessed the damages at £300,000 and costs. The Bank of Portugal, however, took their case to the House of Lords where, finally, in April 1932, by a decision by their Lordships of three to two, the Bank was awarded the astounding sum of £610,392 and the costs of all the hearings, which now amounted to a further £95,000. All Portugal was impressed with this example of typical British justice and 'fair play'. Sir William, however never learned of this decision, he had died of peritonitis in 1931.

So ends the story of the one of the most fantastic swindles of all time. In the disinflationary times of 1935, when Salazar's policies had led to high unemployment and very low salaries, a very characteristic joke was told in the cafés and bars of the Capital. Salazar, concerned about the state of the economy, asks a friend what to do. The reply comes 'I can solve your problem for a mere 10\$00' 'How so?' Queries Salazar. 'Easy,' replies his friend, 'I shall spend it on a taxi fare. We shall go to the jail by cab, release Alves Reis, and put you in his place. Then everything will be solved.'



Alves Reis, Lisbon, 1946

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Andrew Bull OBE was formerly Headmaster of St. Julian's School. In his retirement he has written a monograph on "The Residence of the British Ambassador at Lisbon" and number of articles on historical matters.