

The 'Angola e Metrópole' case

The case of Banco Angola e Metrópole, better known as 'Alves dos Reis' case, marked the last years of the First Republic and the pre-Estado Novo dictatorship. Instigated by Artur Alves Reis, the fraud was an event of unprecedented proportions and caused widespread astonishment in Portuguese society.

At the centre of the events were two illegal issues of Banco de Portugal (BdP) 500-escudo banknotes of plate 2, obtained by Alves Reis, Karel Marang – a Dutch merchant – and their accomplices from the English manufacturer Waterlow & Sons (W&S).

The plan was hatched by Alves Reis in mid-1924, following the failure of a fraudulent scheme involving two colonial companies linked to Angola that ended with Alves Reis going to prison. At the end of 1924, Alves Reis forged two contracts: one between himself and the Angolan high commissioner, and another between the high commissioner and the BdP. The alleged purpose of these contracts would be a secret financing operation for the colony of Angola, which was experiencing serious economic difficulties.

Based on these contracts, and having discovered the serial numbers and signatures used by the Bank on its notes, the group was able to order from W&S, one of Banco de Portugal's banknote-printing services, 200,000 notes of 500-escudo denomination, plate 2, allegedly destined to circulate in Angola.

Using the diplomatic privileges of Karel Marang, the group was able to introduce many of the first-issue notes in Portugal between February and March of 1925. Then began the process of laundering the capital obtained by buying foreign currency, deposits, and bank transfers in various parts of the country, and various credit and capital acquisition operations in colonial companies linked to Angola.

In April 1925, the Alves Reis group decided to move forward with the creation of a commercial and development bank. The proposal received unfavorable opinions from the Banking Commerce Inspection Office and the Banking Council, with special opposition from the BdP, but was eventually authorized by the Minister of Finance in June. In early July 1925, the Banco Angola e Metrópole came into being, founded in part with fictitious capitals.

At the end of July of that year Waterlow received an order for an additional 380,000 notes from Marang. This second issue began to enter Portugal in September, this time with the help of the Minister of Venezuela in Portugal (Count of Planas Suárez). Through Banco Angola e Metrópole, the group granted loans and acquired positions in several companies in Angola, and in November even started to acquire shares of BdP, seeking to achieve a dominant position in the institution. At the time BdP was not yet a central bank,

although it already performed some functions typical of that status, for example as a lender of last resort.

However, the bank's extensive operations and doubts about the sources of its capital led, as of October, to the emergence of a media campaign against Banco Angola e Metrópole. In November, the suspicions increased and BdP called for an audit of Banco Angola e Metrópole. Finally, the abundance of 500-escudo banknotes of plate 2 in Porto drew attention and the BdP decided to intervene, in collaboration with the Judge João Direito and the Criminal Investigation Police.

On December 5, after an exhaustive examination of banknotes found at the Porto branch of the Banco Angola e Metrópole and elsewhere, BdP technicians found the first duplicate notes.

The next day, recognizing the great difficulty of distinguishing duplicates from genuine banknotes, BdP decided to withdraw all of the 500-escudo notes of plate 2 from circulation. The exchange took place until the end of the year – collecting more than 195,000 notes in addition to those legally issued (600,000 notes). In so doing, the Bank suffered a direct loss of almost 100 million escudos. Meanwhile, several members of Alves Reis' group were arrested and questioned. But it was not until mid-December that the extent of the fraud began to emerge.

The following years until 1930, when the case went to trial, were occupied by in depth scrutiny of the Banco Angola e Metrópole accounts and that of other firms, by police investigations abroad, and by the examination and correct classification of all withdrawn banknotes. These years were also marked by the activity of the Banco Angola e Metrópole Liquidation Commission, created in May 1926. In 1928, the BdP brought legal action against W&S in the English courts.

Alves Reis was prosecuted, and after several appeals was ultimately found guilty and sentenced to eight years in prison and 12 years of deportation in August 1931. In the same month, the activity of the Liquidation Commission came to an end. It had managed to recover more than 43 million escudos of the losses suffered by the BdP. Finally, in 1932, the case was brought to an end in its main developments, with Waterlow's ultimate conviction and an agreement on the amount of compensation to be paid, set at 697,416 pounds sterling.

