

ROYAL LEGACY

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HOW THE ROYAL FAMILY HAVE MADE,
SPENT AND PASSED ON THEIR WEALTH
FROM QUEEN VICTORIA TO QUEEN ELIZABETH II

DAVID McCLURE



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First published in 2014 by:

Thistle Publishing
36 Great Smith Street
London
SW1P 3BU

www.thistlepublishing.co.uk

ISBN-13: 978-1-910198-65-0

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For Jane and William McClure

PROLOGUE

“This is yet another example of him [Prince Charles] setting out his stall for his future inheritance”

Royal historian Brian Hoey on the palace’s new media operation¹

It was a symbol of the changing of the guard. When on 6 June 2014 the Queen joined President Obama and twenty other world leaders on Normandy’s Sword Beach to commemorate the seventieth anniversary of the D-Day landings, seated immediately behind her on the stage was not just her customary escort the Duke of Edinburgh but also her heir apparent the Prince of Wales. Having already received the same formal reception accorded to the heads of state, Prince Charles was there to shoulder some of the heavy workload for the eighty-eight-year-old sovereign and the ninety-two-year-old consort on their state visit to France which included a punishing schedule of engagements in Bayeux, Ouistreham and Paris crowned by a state banquet at the Élysée Palace with President Hollande.

The presence of the heir apparent could be viewed as the most high profile sign of Charles's gradual succession to the throne. Dressed in the gold-braided black uniform of an admiral of the fleet, complete with a set of naval medals glinting in the afternoon sun, he looked suitably magisterial next to the Queen in her lime-green coat, matching hat and diamond brooch. From now on, Her Majesty would be subcontracting some of her official engagements and doing fewer foreign visits – particularly to long-haul destinations. Earlier in April she had kept her appointment in Rome with Pope Francis but tellingly it was an away-day with no overnight stay, after being rescheduled due to ill health.

In public the palace dismissed any talk of a winding down, let alone a co-regency. Her Majesty was “as busy as she has ever been,” at least on the domestic front.² At her coronation in 1953 she had vowed to serve her country for her whole life and having as a young girl lived through the trauma of the 1936 abdication crisis, there was certainly no possibility of her taking a lead from the seventy-six-year-old King Juan Carlos of Spain who in the week of the D-Day commemorations suddenly announced his wish to step down in favour of his son, Crown Prince Felipe. The “A” word was not part of the Queen's English.

But in private royal aides admitted to “a gradual lessening of the burden,” “a gentle glide” or “passing of the baton” - a handover strategy where official duties would slowly pass to the younger generation.

Less deferential Windsor watchers dubbed it “a royal job-share.”³

During the three-day state visit to France, it was notable that Prince Charles was assigned as many official engagements as the Queen. On day one, while his mother was being entertained by President Hollande in Paris, he lay a wreath at the Glider Pilot Memorial in Normandy, visited the 70th Power Boat Squadron active in the D-Day landings, lunched with British veterans, witnessed a commemorative parachute drop by representatives of the allied forces and attended a memorial service for the parachute regiments. Day two saw him taking part in a British Legion service of remembrance in Bayeux Cathedral, joining the Queen and Prince Philip at another service at the nearby Commonwealth War Graves Cemetery and then going on to the Juno Beach Centre for a third service honouring Canada's contribution to the greatest amphibious landing in history. Clearly he had been tasked to do the bulk of the heavy lifting.

In truth, the transition process had been going on well before Prince Charles set foot on the Normandy sands. As early as January 2014 had come the major announcement that the press offices of the Queen and the Prince of Wales would merge, ending a media divide that had existed for over twenty years with the sniping particularly vocal at the height of the Diana divorce. With the press office of Prince Harry and the Duke and Duchess of Cambridge also moving

to Buckingham Palace, the House of Windsor could now speak with one single voice.

The prince's ten-strong team of PR and media advisors who had been so adept at buffing up his tarnished image before and after the marriage to Camilla would have to move to Buckingham Palace, but crucially the captain of the new ship of spin would be a Charles loyalist, his fifty-four-year-old Director of Communications, Sally Osman, who had earned her stripes running the BBC's media operation. Formally she would report to the Queen's Private Secretary, Sir Christopher Geidt, but her salary would be paid, initially at least, by Charles out of his Duchy of Cornwall income.

Little by little without any royal fanfare, the Prince of Wales had begun over the previous year to take on more duties traditionally associated with the head of state. In May 2013 he sat at the Queen's right as she opened parliament and later in December he stood in for her at the funeral of Nelson Mandela in South Africa where all the globe's heads of state and government gathered in one informal international summit. But the most significant event came a few weeks earlier in mid-November when he opened the Commonwealth Heads of Government Meeting in Sri Lanka. It was both the first time his mother had missed the conference since 1971 and the first time he had represented her as Head of the Commonwealth. Given that Charles was not as popular with some Commonwealth leaders as the Queen on account of

their religious objections to his divorce, it was important he made a good impression, particularly since the title of Head of the Commonwealth is conferred by the member nations and not automatically by hereditary right.

With Charles now shouldering some of the Queen's constitutional responsibilities, he would have to do less campaigning. The prince holds strong views on everything from genetically modified foods and homeopathic medicine to modern architecture and climate change. As sovereign or even stand-in sovereign, he could never snub the Chinese head of state in the way he did when he boycotted an embassy banquet for President Zemin in October 1999 to indicate his distaste for China's actions in Tibet.⁴ The media storm that was triggered in May 2014 by one unguarded remark to a Holocaust survivor likening President Putin's actions in Crimea to Adolf Hitler's attack on Poland only served to underline the need for a shadow king to keep as mum as his mother on matters of public policy.

But the unprecedented feature of this handover was that with the octogenarian Queen having not just children but also grandchildren and even a great-grandchild there were several generations of royals alive at the same time. This meant that Charles could pass over some of his work to his offspring and it was noticeable that Prince William was assigned a part in the D-Day commemorations: accompanied by the Duchess of Cambridge, he attended a veterans

tea party in Arromanches before giving a speech and presiding over an evening parade of ex-servicemen through the streets of the town.

There had already been signs that the Prince of Wales's eldest son was prepared to champion a few of his favourite causes. In February 2014 the Duke of Cambridge flanked by Prince Charles and Prince Harry took the lead at a Conference on the Illegal Wildlife Trade, calling on the world to turn its back on elephant poaching and suggesting that he wanted all the ivory in the Royal Collection at Buckingham Palace to be destroyed.⁵ He also helped to lighten his father's workload by taking a college course in agricultural management in preparation for running the Prince of Wales's landed estate, the Duchy of Cornwall. This followed his individual tuition in constitutional affairs from his special advisor and *éminence grise*, the former ambassador to Washington Sir David Manning.⁶

Manning accompanied the prince on his subsequent tour of Australia and New Zealand in April 2014 which attracted unprecedented media coverage from all round the world – aided no doubt by the first overseas appearance of baby George and the willingness of his photogenic mother to perform for the cameras. But even the more jaundiced members of the press pack had to concede that it was one of the most successful royal tours in living memory. Many palace-watchers now regarded “William and Kate” as the royal family's greatest asset.

William had more time to take on these extra responsibilities because in September 2013 after eight years of military service he left his job as a RAF search and rescue helicopter pilot. It was no coincidence that shortly afterwards Prince Harry also hung up his helmet as a helicopter pilot in Afghanistan to take a desk job with the army. He is normally based close to Buckingham Palace's media operation at Horse Guards Parade where he organises commemorative events for the military. Now that he is pursuing a more prominent role in public life (including organizing Trooping the Colour, standing in for the Queen at the 2014 memorial service for Nelson Mandela and going on tours of Brazil and Chile) he has taken the precaution of protecting his image. During the handover process, it was revealed that much like celebrities such as David and Victoria Beckham he had founded a company to safeguard his brand and intellectual property rights. With his private secretary Jamie Lowther-Pinkerton as its director, the firm was called Tsessebe - the name of an African antelope. A palace spokesman explained that “it is a pre-emptive move to give them a vehicle for intellectual property, if they needed to trademark anything in the future, but there are currently no plans to use them.”⁷ Around the same time the Duke and Duchess of Cambridge set up similar “brand” companies, William's APL Anglesey, and Kate's CE Strathearn.

Having now delivered an heir to the throne, the Duchess of Cambridge was also being groomed to take on a bigger role. In another gesture heavy with symbolism, in January 2014 the Queen offered Kate the services of her personal dresser and jewellery advisor, Angela Kelly, to help her prepare for the tour of Australia and New Zealand, her most high profile foreign engagement to date and one that mirrored Princess Diana's much garlanded trip in 1983. The move was seen as a way of giving her a royal make-over, changing her middle class image from High Street to Highness. The palace would never admit it of course but she was to be made more regal. It was reported that Her Majesty would lend Kate jewellery from the fabulous Delhi Durbar Parure – a suite of gems given to Queen Mary at her Indian coronation in 1911 which was then handed down the generations to the Queen and in part to Diana as well, although many royal jewels were later returned to the sovereign as part of the divorce settlement.⁸

Putting the Queen's priceless collection of jewellery under the eyeglass brings into focus one little discussed aspect of the succession process. While all the headlines concentrated on the handover of constitutional and ceremonial duties, an arguably more important transition slipped under the radar - the transfer of the Windsor wealth. The Queen alone has an extensive portfolio of land, art works and financial investments rumoured to be worth hundreds of

millions of pounds. Wouldn't any succession planning involve estate planning too?

It is inconceivable that a sovereign in her ninth decade would not have undertaken the most meticulous planning to safeguard her financial legacy. The best professional advice would have been near at hand. At their elegant offices overlooking Lincoln's Inn Fields the royal family's long-standing lawyers Farrer and Co have a legion of tax consultants and other experts offering guidance on "wealth preservation." The Queen's private solicitor, Sir Mark Bridges, boasts on his web page that "he specialises in tax, trusts and succession issues for clients from all over the world, including some of the world's wealthiest families."

Within her own family the Queen would have witnessed how much time and effort goes into inheritance planning. Her grandmother Queen Mary who was famous for being, in Churchill's words, "practical in all things" spent the last two months of her life cataloguing her priceless jewellery collection so that family heirlooms could be separated from Crown property. Her sister Princess Margaret who was known to intimates as a great planner went one step further by transferring to her son a full decade before she died her most cherished possession – her holiday home on Mustique.

This all goes to show that the House of Windsor dislikes leaving things to chance. Planning is part of the wiring of Buckingham Palace. Courtiers are

rewarded for foreseeing potential fire hazards and preventing any sparks from flying. Sir Christopher Geidt – the palace official credited with masterminding the recent handover - was given a second knighthood for his work on what the formal citation called “a new approach to constitutional matters... [and] the preparation for the transition to a change of reign.”⁹

The discretion of courtiers is not the only reason why the process of wealth transfer has received little publicity. The royal family benefits from a number of privileges that help to keep their financial affairs away from prying eyes. By statute the sovereign’s will is sealed and it is customary for the wills of other royals to be closed to the public and probate details kept under wraps. Over the last century, any embarrassing documentation relating to money and other matters has regularly been destroyed by staff and family members. Senior royals are now exempted from Freedom of Information requests and no comprehensive catalogue of their private jewellery collection is available to the public.

As a result, tracing the inherited wealth of the royal family can at times feel like tracking a pod of whales swimming deep below the ocean waves. You know that that these behemoths are lurking there somewhere under the surface but pinpointing their exact location is a task that would try the patience of Captain Ahab. Sometimes a tell-tale water spout is sighted on the far horizon (say, in the form of a

public auction of royal property), but only a small proportion of their true size is revealed before they disappear again leaving a tantalising trail of foam in their wake. At other times one of their number is found lifeless beached on the shore (as in the case of a sudden royal death and the public grant of probate) but you are not permitted to get too close to inspect the entrails for fear of causing damage. Both whales and Windsors enjoy the protection reserved for an endangered species.

My fishing expedition began one spring morning in the unlikely setting of the London probate registry on High Holborn. By chance I hooked two royal wills that the staff initially believed off-limits to the public - the last testaments of Princess Helena Victoria (Queen Victoria’s granddaughter) and Princess Alice (the Queen’s aunt). Their discovery set me off on the trail of other royal estates over the last century - from Edward VII’s to the Queen Mother’s - with the hope of dredging up hidden treasures.

Of course there is a world of difference between the probate value of an estate and the true wealth of the deceased. More often than not the former is just the tip of the iceberg. But that small icy ledge serves as a useful jumping off point to plunge deeper into the greater wealth hidden beneath the official figures. If you know, say, that Queen Mary left an estate of under half a million pounds yet possessed the most valuable collection of jewellery of any queen

of England, then you are bound to delve further and wonder where are the missing millions.

For any sleuth on the trail of royal wealth, probate value is the dog that did not bark in the night. More useful clues to the true worth of the Windsors' assets are often found in auction records from the sale of their property which not only put a price tag on valuables that are rarely valued but also give details of ownership and how the property has been passed down through the family. In the case of this story, the auction records of the property of Princess Margaret, the Duchess of Gloucester and the Duke of Kent have proved essential in unwinding the chain of inheritance. Court records from the legal action of a Jersey accountant claiming to be Princess Margaret's illegitimate child and the trial of Princess Diana's butler have also produced a wealth of new information about how the Windsors conceal their wealth. Land registry documents can also be revelatory by showing, as in the case of the Gloucesters, how royal property can be safeguarded well before death by being transferred into a trust.

You don't have to be a dyed-in-the-wool republican to be naturally curious about how members of the royal family manage their money. One can be nosy without being nasty. Indeed, asking one prying question about the Windsors' riches can set off an inheritance chain reaction. Where did their private wealth come from in the first place? Was it made, inherited, acquired through marriage or amassed

through tax privileges and state subsidy? How much of it came from gift-giving and where do you draw the line between a private and an official gift? How much of it has been saved and how much spent? How is it retained and not salami-sliced by multiple deaths or marrying out? And how is it kept away from the scrutiny of parliament and the general public? Whatever could they be hiding?

This book takes a peek behind the palace curtains.

CHAPTER ONE
THE QUEEN'S TRUE
WORTH – 2014

“To Have and To Hold”

The motto for the Queen suggested by her biographer Robert Lacey

Over the past century British monarchs have divided into either spenders or savers. The epicurean Edward VII devoted his life to conspicuous consumption spending a small fortune on women, horses and gambling while his abstemious son George V preferred to save for a rainy day limiting his expenditure to shooting grouse and collecting stamps. Edward VIII loved to shower luxury jewellery on his women friends, his brother George VI was content to stay at home with the family and watch the pennies. Elizabeth II has taken after her father and grandfather. For all the rich pomp and pageantry of her sixty plus years on the throne, the Queen belongs to that breed of monarch who would rather check that the palace lights are switched off at night than

burn the midnight oil herself. Famously, she marks the level of bowls of nuts in Buckingham Palace to discourage security police from eating all the nibbles. Her regality is one crowned by frugality.

Although certainly not mean, the Queen is without doubt thrifty - a royal trait inherited from her great-great-grandmother Queen Victoria who wallowed in a reputation for parsimony as alone on her bleak Balmoral estate she mourned the death of Prince Albert. Distaste for waste was nurtured in Elizabeth as a girl by her canny Scottish nursery-maid Bobo MacDonald who encouraged her to save and recycle wrapping paper from her Christmas and birthday presents.¹ When it came to toys, she much preferred inexpensive things they got for themselves, according to her governess Marion Crawford who recalls buying her a set of farmyard animals from Woolworth's.² If the young Elizabeth was raised with less than regal tastes, it is hardly surprising since at the time no one expected her to be queen. Up until the age of ten, her uncle David (the future Edward VIII) was heir to the throne and once he had children the line of succession would pass away from father's side of the family. Before the abdication she had as much prospect of being crowned as Princess Beatrice, another daughter of the sovereign's second son, does today. So, it should come as no surprise that the young Lilibet told her governess that when she grew up she would marry a farmer so that there would be no shortage of horses and dogs.³

As a teenager growing up in wartime Britain, she learned that a princess had to accept privations like the rest of the nation and she regularly wore hand-me-down versions of her mother's dresses before passing them on to her younger sister. As queen she showed an equal distaste for throwing out clothes or paying too much for anything - on several occasions chastising her dress-maker Sir Hardy Amies over the cost of his designer-ware.⁴

In this respect, she resembles her grandmother Queen Mary who was notorious for dropping strong hints to any purveyor of royal goods of her expectation of a discount. But in sharp contrast to the jewellery-obsessed Mary, Elizabeth has never displayed a passion to add to her fabulous collection of gems and unlike her mother she has shown no penchant to collect paintings or other fine art. While her sister Princess Margaret had a keen eye for fashionable clothes and the smart West End set associated with the performing arts, the Queen's tastes are less metropolitan and more tweedy. Apart from an occasional Launer handbag, her wardrobe is functional rather than flamboyant and she feels most at home not with dancers and directors at Covent Garden or Saddler's Wells but with her dogs and horses at Sandringham and Balmoral. She has been photographed stomping the fields round Sandringham in a simple headscarf and Wellington boots like any farmer's wife. When as a child Prince Charles lost a dog lead in the grounds, she acted in much the

same manner as any cost conscious mother would and sent him out the following morning to hunt it down.⁵ At heart she is a country person who finds in rural pursuits an escape from the gilded cage existence of being the sovereign.

Yet this frugal, penny-pinching woman of the shires is reputed to be worth over one billion pounds. In truth, no one can agree on the precise contents of her portfolio of assets and as a consequence valuations of her wealth vary enormously. On one end of the spectrum, in 2001 *The Mail on Sunday's* Royal Rich Report valued her personal fortune of shares, property, jewellery, art and other general assets at £1.15 billion, while in 1989 *Fortune* magazine estimated her worth at a staggering £7 billion. Both these valuations include some of her inalienable assets - in the case of *Fortune* the royal palaces (Windsor Castle, Buckingham Palace), the Crown Jewels, the Royal Collection of paintings and art and the Royal Archive, and in the case of *The Mail on Sunday*, the hereditary revenues from the Duchy of Lancaster. But being inalienable assets, the Queen can never sell them. As palace spokesmen are quick to point out, they are held in trust for the nation by the sovereign and must be passed on to her successor. For all intents and purposes, they are public assets and should not be included in any calculation of her private wealth. But the fact that they are often lumped together leads to confusion and perversely an underestimation of her worth as the palace can use this

common error to discredit other higher estimates of her private riches.

On the other end of the spectrum, Elizabeth's former private secretary, Sir John Colville, put her wealth in a letter to *The Times* in 1971 at no more than £2m. He went on to inform *The Daily Telegraph*: "it particularly upsets her when she is described as being worth £50-100m...If she has got more than £2m today I will eat my hat."⁶ This all took place at the time of intense debate over a pay rise for the Queen in the new Civil List and when the palace was keen to play down any elevated valuations of her personal fortune. Lord Cobbold, the Lord Chancellor and head of the Royal Household, gave assurances to a parliamentary select committee that any suggestions that the Queen's private funds were of the order of £50m-£100m were "widely exaggerated." This was repeated in 1993 by his successor, Lord Airlie, who said that claims that her private investments were worth £100m were "grossly overestimated". So, from the viewpoint of the palace at least, her private riches stood at anywhere between £2m and £50m.

The truth probably lies closer to the middle of the spectrum of valuations. In 2013 the US magazine *Forbes* estimated her fortune at £330m (\$500), which with the exclusion of her inalienable property made her the 40th most powerful woman in the world. In 2014 *The Sunday Times* Rich List ranked her 285th in Britain as a whole and put her income at £330m. It was estimated that her landed property was worth

£140m and her share portfolio £105m but apart from the £2m art collection it gave no detailed breakdown of her personal possessions.

Some of her more valuable assets come from less obvious sources. She inherited from her father George VI a set of stamp albums that today is acknowledged as the world's most comprehensive collection of postage stamps of Britain and the Commonwealth. It was started by Queen Victoria's second son, Prince Alfred, in the mid 19th century after Sir Rowland Hill introduced the uniform Penny Post throughout the country. But when his personal finances took a nosedive, Alfred was later obliged to sell the collection to his brother, the future Edward VII who in turn passed it on to his son, George V. He soon became as obsessed with stamps as his wife was with jewels, telling one fellow philatelist that he wished to have the best collection in England, and true to his word he went on to collect almost every issue of stamps of Great Britain, the Dominions and the colonial territories in his reign up to 1936. In 1904 he bought the first stamp produced for a colony - the Two Pence Post Office Mauritius - for £1,450, the highest price ever paid for a single stamp. Even at the height of the First World War he was with the aid of Foreign Office staff scouring the globe for new colonial stamps, on one occasion dragooning the diplomat Harold Nicolson into hunting down a rare batch of British military stamps with the word "Levant" misprinted on the face (later as a diarist he got his own back by

writing of George V - "for 17 years he did nothing at all but kill animals and stick in stamps").⁷ On his death the king left all his stamps to George VI who added more albums to the collection before passing it on to the present queen.

Today the Royal Philatelic Collection, as it is now known, runs to around 400 albums and some 200 boxes which are all housed in the strong room of St James's Palace. The bulk of the collection is George V's 328 albums of about 17,500 pages bound in colour-coded red leather volumes. Next biggest is George VI's "Blue Collection" of 78 boxes and 10 albums bound in dark blue and then comes the Queen's own "Green Collection" stored in distinctive green boxes. It is impossible to say how many stamps there are in the Collection, which also includes drawings and proofs, as no comprehensive inventory has so far been made.

Originally some of Elizabeth's biographers presumed the stamps were part of the Royal Collection and as such inalienable state property but recently the official royal website has confirmed that they are in fact the Queen's *private* property. Charles Goodwyn, the Keeper of the Royal Philatelic Collection between 1995 and 2003, has declined to put a value on the collection saying only that it is "priceless" and claiming that they did not know the full extent of the collection.⁸ According to the current official website, "it is impossible to say how many stamps there are in the Collection, or to put a value on it. The Royal Philatelic

Collection has never been counted in terms of total stamp numbers.”

This reluctance to undertake a detailed, transparent inventory - which also extends to parts of the Royal Collection and the Queen’s personal collection of jewellery - conveniently prevents any independent valuer from placing a precise price tag on their worth. In fairness, stamps of this scarcity are rarely put up for auction and their real commercial value is determined not by any intrinsic worth but by the volume of stamps that are released into the market place. Nevertheless, a few shafts of light have recently fallen on the albums that allows one a clearer idea of their worth. Just before the Millennium the Queen agreed to pay £250,000 for a unique first day cover of ten penny blacks posted on 6 May 1840 – known as the Kirkcudbright Cover. Since she did not have sufficient cash from the Privy Purse or her personal savings to fund the purchase, it was decided to self-finance the deal by selling off some less important stamps, many of which were duplicates or surplus to requirements in the collection. The auction at Spink’s in May 2001 of this batch of 200 stamps brought in £645,000⁹ - more than double the estimated price – and offered a glimpse of the market value of the wider collection. One stamp that was not put up for sale, however, was the jewel in the collection - the two pence “Mauritius Blue” whose 1904 record price proved a good investment since it is now valued at £2m. Another Mauritian stamp is thought to be worth

£1.5m. With the Kirkcudbright Cover having already doubled in value and other stamps now commanding six and seven figures, the Queen’s total collection must be worth well over £10m and some estimates put the figure as high as £100m.¹⁰

Another surprise windfall to the Queen’s wealth was also housed in St James’s Palace but this time it came through marriage rather than inheritance. When she wed Prince Philip in November 1947 in a ceremony at Westminster Abbey attended by kings, queens and other heads of state from round the world, she received an exotic waterfall of wedding presents. The volume was so great that a souvenir book had to be published listing all 2,428 items and the gifts put on display at St James’s Palace. They ranged from the perverse (Mahatma Gandhi sent a lace tray cover made from a spinning wheel which a horrified Queen Mary mistook for the Indian leader’s loin cloth) to the practical (many subjects sent in nylon stockings and knitted sweater, while her government gave her the standard extra 200 clothing coupons allowed to all brides). But others gifts - especially those involving jewellery - were exceedingly valuable. The emperor of Ethiopia sent a gold tiara, the Nizam of Hyderabad a floral diamond tiara, the Maharajah of Bundi a headdress of pearls and rubies and the Dominion of India a diamond necklace fashioned from jewelled anklets. In addition to the other fabulous jewellery she received from her grandmother and her parents (which we explore in later chapters), the French

government gave a Sevres dinner service, to complement the 175 piece porcelain dinner service from Taiwan's leader Chiang Kai Shek, and the Kenyan nation a hunting lodge in the Aberdares. Normally, gifts given during an official engagement - typically, from one head of state to another - are not regarded as private property, but more personal wedding gifts may be accepted as private property - as was shown after the death of Princess Margaret when her heirs auctioned her wedding gifts for five figure sums. Some of the family jewellery - particularly the many items given by the dowager Queen Mary - may have been a mixture of both inalienable and private property. Again it is difficult to put a precise price figure on the wedding gifts, but in 1947 their total worth was estimated at £2 million - close to £50 million at today's prices.

One wedding gift from the Aga Khan was of special value to Princess Elizabeth - a chestnut filly called Astrakhan which went on to win a number of prestigious races. She inherited a passion for the sport of kings from her mother with whom she bought in 1947 her first race horse, a bay gelding called Monaveen. Within months, its purchase price had been recouped many times over in prize money and with the bit now firmly between the teeth, the Queen felt emboldened to build up a significant racing enterprise and develop a specialist knowledge of breeding and bloodstock. For the first ten years of her reign, she was one of the largest owners in the

country, becoming champion owner in 1953 with winnings of more than £40,000 (the equivalent of more than £750,000 today), although later she scaled down her activity as it became impossible to continue to train her horses in Ireland due to the Troubles and she found she could not compete with the new breed of mega-rich Arab owners - or as some more cynical voices have suggested - *be seen* to compete in such multi-million purchases when claiming to the government to be financially stretched.

In 2001 her 30 race horses and 26 broodmares were valued at £3.6m with an annual maintenance outlay of about £500,000¹¹ although by 2011 she had reduced her stable to about 25 horses in training. Around this time she reportedly paid £500,000 for a three-year-old filly called Memory which was used only for breeding at the royal stud since it failed to perform on the racetrack.¹² The Queen's distinctive colours of purple, scarlet and gold had not graced a Classic winner since Dunfermline won the St Leger in 1977 when in 2013 Estimate ran off with the Gold Cup at Royal Ascot. But despite many near misses including the favourite Carlton House coming third in 2011, the big prize of winning the Derby has eluded her, with her great grandfather Edward VII remaining the only British sovereign to hold that honour.

Whether or not the stable of horses ever really made a profit or even broke even is debatable but what is certain is that the physical stables in terms of bricks and mortar have proved a good long-term

investment. In 1952 she inherited from her father the royal studs at Sandringham and nearby Wolverton in Norfolk and in the sixties she began leasing the Polhampton Lodge Stud in Hampshire which she bought in 1971. A decade later in 1982 she completed her property portfolio by purchasing the West Isley Stable in Berkshire for around £750,000. These acquisitions would have boosted the value of her overall horse racing venture to well over £30m.¹³

Another valuable possession often forgotten when assessing her wealth is her wine cellar. Again the waters are muddied by the fact that public assets such as wine and spirits bought for official receptions like a state dinner for a visiting dignitary are hard for an outsider to separate from alcoholic wares bought for private use. In his memoirs Tony Blair remarked on the availability of alcohol at Balmoral during an early visit there as Prime Minister noting that some of the hard stuff kicked as much a punch as rocket fuel.¹⁴ Her Majesty's favourite tipple has long been gin and Dubonnet, although she is not averse to sharing a whisky with the prime minister of the day after their weekly royal audience.

According to the official expenditure report, on average about £400,000 is spent each year on wine and spirits. The cave is administered by a part-time Clerk of the Royal Cellars who is normally an experienced wine merchant who advises on maintenance and investment and by a full-time Yeoman of the Royal Cellars who keeps an inventory of the stock and

handles the day to day buying. Most of the wine is laid down in the stone chambers of the Buckingham Palace's basement, but there is also a sizable stock at Windsor, Sandringham and Balmoral - as well as in storage at wine warehouses. With the Queen known to be partial to champagne, it has been reported that there is £100,000 worth of Krug stored in the vaults and that the wine collection as a whole may be worth as much as £2m.¹⁵

The Queen also possesses a little known but valuable car collection which has been valued at over £7m. She first took an interest in cars at the end of World War Two when she joined the Auxiliary Territorial Service as an 18-year-old army cadre and was taught how to repair motor engines and drive to a professional standard. The vintage cars are spread amongst the royal residences. In addition to the two modern Bentleys, three Rolls-Royces and three Daimlers, the Royal Mews at Buckingham Palace houses a 1950 Rolls-Royce Phantom IV known as the "Old Beast". But the main motor museum is at Sandringham where over a dozen historic vehicles are garaged. The most valuable is a 1900 Daimler Mail Phaeton – the first ever royal car thought to be worth well over £3m and bought by Edward VII although there is no proof that he could actually drive. The same is true of George V but this did not stop him buying a 1924 Daimler shooting brake - designed especially to accommodate his guns and shooting requirements – which has been valued at £600,000.

As we saw with her wedding presents, foreign gifts of jewellery have also proved a lucrative wealth stream. Just before her marriage, during an official tour of South Africa the government gave her for her 21st birthday a necklace of 21 diamonds which she regarded as her “best” diamonds¹⁶ and which were soon complemented after a visit to the Kimberley mines by a gift from De Beers of a stunning six carat blue white diamond. With a regular flow of gifts such as these to go alongside her inherited gems, it is not surprising that her total jewellery collection has been valued as high as £70m - although recent auctions of royal jewellery have shown that the added cachet of the royal name can raise their value by a factor of five or more.

The value of her portfolio of shares (rumoured to be in blue chip British companies) is much harder to pin down since its secrecy is guaranteed under a mechanism granted only to the world’s heads of state known as the Bank of England Nominees whereby any share dealing is conducted through an anonymous nominee company. In 2014 the Sunday Times Rich List put their value at £105m but the figure is highly speculative due to our near complete ignorance of her equity investments.

On the other side of the ledger, the Queen has considerable outlays and like many a parent, she has been obliged to give financial support to her children. Often this has occurred at significant rites of passage such as marriage. When Princess Anne married Mark

Philips in 1976, she bought the couple Gatcombe park - the 730-acre Gloucestershire estate of the former cabinet minister R.A. Butler - for £500,000 and a year later lent them the money to buy the neighbouring 600-acre Aston Farm.¹⁷ Similarly a decade later in 1986 when Prince Andrew married Sarah Ferguson, the Queen bought them their first home - Sunninghill Park (or as it was soon dubbed “South York”) in Berkshire for £3m. Prince Edward’s wedding present from his mother in 1998 was the 50-year lease on the 88-acre Bageshot Park near Windsor with its 57-room house which is today worth over £30m. At the time the purchase prompted raised eyebrows at the palace with one courtier wondering why they wanted to live in such a costly Victorian pile.¹⁸ In 2013 the Queen also gave Prince William Anmer Hall on her Sandringham estate as a thirtieth birthday present and after a £1.5m refurbishment it will become the country home of the Cambridges.

Ironically it has been the end and not the start of the marriages that have proved the biggest drain on the Queen’s bank balance, with her sister and three of her children all getting divorced. As one royal insider put it, “divorce has cost her a fortune”. The largest outlay came with the separation of Prince Charles from Diana which reportedly cost her up to £17m as Charles did not immediately have the cash to settle the huge divorce bill (according to his financial advisor he had to “liquidate everything, all his investments.”)¹⁹ The divorce of Prince Andrew

was less costly since his assets were smaller being a modestly-paid naval officer and the Queen retained ownership of Sunninghill Park before it passed into a trust but she was still required to contribute £400,000 towards the purchase of Birch Hall in Surrey for the duchess and the children. Going further back to the divorce of her sister Princess Margaret in 1976, it was reported that the Queen as part of the settlement had to buy a house in South Kensington for Lord Snowdon which is now worth around £4m and owned by his son and daughter.

The Queen also has to pay allowances to her close family. This arrangement dates from 1992 when it was agreed that parliamentary annuities from the Civil List would be limited to the Duke of Edinburgh and the Queen Mother and that the Queen would refund to the Treasury parliamentary payments to other close relatives. As a result, in the following decade the Queen had to find over £1.5m a year to bankroll her family, although the bill was reduced by the deaths of Princess Margaret in 2002 and the Duchess of Gloucester in 2004 and by the fact that the repayments are tax deductible.²⁰ In 2010, the last year in which full details were provided, she paid Prince Andrew £249,000, Prince Edward £141,000, Princess Anne £228,000, Princess Alexandra £225,000 and the Duke and Duchess of Kent £236,000.

These annuities are paid out of the Privy Purse, the Queen's private income which is derived from the revenues of the Duchy of Lancaster. The duchy is

a hereditary landed estate of nearly 20,000 hectares that has been held in trust for the sovereign since 1399. Today it includes some valuable real estate, the jewel of crown being the Savoy estate stretching along the Strand from the Savoy Hotel to Somerset House. The Queen is not allowed to dip into its capital but she is entitled to its net revenues - an income stream that has grown considerably since the start of her reign. In the last two decades as commercial rents have mushroomed her revenue has grown by almost £10m rising from £3.75m in 1992 to £13.6m in 2014. Between 2013 and 2014 alone the net surplus jumped by a more than healthy 8.5%.

So after paying her relatives around £1.5m in allowances (as well as picking up the bill for Prince William's constitutional advisor and of course paying her taxes at the top rate of 45%) how does the Queen spend the remaining £5-6m? Much of the duchy money must be consumed in the upkeep of the private residences. Balmoral alone costs over £3m gross a year to run.²¹ The Queen decamps there for two months every summer and when Tony Blair made his first prime ministerial visit in 1997 he was struck by the number of servants (he was even given his own valet) and the lavishness of the hospitality (all the meals were so large he feared he could put on a stone in weight).²²

Despite the rental of lodges on the estate (Connachat cottage is available at £696 a week) and the opening of the house to the paying public (you

can pick up a bottle of branded malt whisky for £40 or tea towels for £14.99 a pair) Balmoral has never been a going concern. Its rocky Highland location means there is little arable land. As a result it haemorrhages more money than the Sandringham estate which can offset its high running costs from the rental of farm-lands as well as the leasing of game shooting rights.

Notwithstanding their huge maintenance costs, the two royal residences remain extremely valuable land. In 2001 Balmoral house was valued by a *Mail on Sunday* report at £2.15m and the estate as a whole £14m. Her Majesty's Scottish holdings also include the nearby Bachnagairn Deer Forest which she originally inherited from George VI in 1952 and then in 1997 paid the Earl of Airlie £300,000 to double the acreage raising its total value over £2.5m. Much more valuable is the 20,500 acre Sandringham estate that was valued in 2001 at £30m - although this figure like all the others for landed assets does not take into account the premium of the royal name which could easily double or treble their value.

This all underlines the fact that the Queen like much of the landed gentry is asset rich and comparatively income poor - although it is difficult to assess her more liquid assets without access to information about the investment interest and dividends which might accrue from her hidden stocks and shares portfolio. More than likely her cash assets have been eaten into by inflation - particularly in the sixties and seventies and again in the 2000's. It is worth stressing

that an important factor in the wealth of a sovereign with a fixed Civil List allowance is whether or not they reign through a period of price stability. George V was lucky enough to live through a period of relatively low inflation (and indeed at times recession) and as such was able to make considerable savings. His granddaughter has been less fortunate.

When it comes to assessing the relative cash and fixed assets of the sovereign, it is also worth remembering that the Queen Mother found herself so short of cash in her long dotage that she had to rely on the Queen to pay for her day-to-day expenditure despite having an estate of assets reportedly worth over £50m. Although the Queen as she approaches her own centenary is not so strapped for cash, there is clearly an imbalance between liquid and fixed assets which has been acknowledged by others members of the family. In 1971 Lord Mountbatten referred to Her Majesty as having a large fortune but then added that the vast bulk of it was in art treasures which brought in no income and which she could never sell.²³

It is clear from this stocktaking of the Queen's assets that her wealth - like that of many rich Britons - is largely inherited. But unlike her fellow multi-millionaires, the exact nature of her inherited wealth is complicated by the confusion over whether the assets are purely private or partly public - particularly when it comes to some of her jewellery and artworks. The picture is further blurred by a special privilege granted to the sovereign and senior royals that

prevents the public from inspecting their wills and finding out precisely who inherited what. The only way to lift the fog surrounding her inherited wealth is to unwind the chain of inheritance three generations and investigate how a hundred years ago her great-grandfather Edward VII modernised the monarchy and fixed its finances.

CHAPTER TWO

EDWARD THE CARESSER – 1901-1910

“A typical Englishman – with the lid off”

J.B. Priestley on Edward VII

In death just as in life Edward VII helped drag the British monarchy into the 20th century by turning the succession process into grand spectacle. He was the first sovereign whose body was laid in state in Westminster, establishing a tradition that would be followed by George V in 1936, George VI in 1952 and most memorably the Queen Mother in 2002. His body was put on public display in Westminster Hall on 17-19 May 1910 and an estimated 400,000 people solemnly filed by the catafalque underneath the oak beams of the mother of all parliaments. The queue meandered back four miles as far as Chelsea Bridge and so great was the demand from ordinary citizens to pay their respects that the hall had to be opened at six every morning. Vast crowds also lined the London streets on May 20 to watch in silent tribute the

funeral procession. It was one of the grandest gatherings of royalty of all time - as the gun carriage bearing the coffin was escorted on horseback by George V, the German Kaiser and eight kings on its last journey from Buckingham Palace to Paddington Station prior to the burial in a vault in St George's Chapel at Windsor. Newsreel footage of crowds one hundred yards deep straining to get a last glimpse of the cortege took the spectacle to a wider audience throughout the truly United Kingdom.

Dismissed as Bertie the playboy prince for much of his life he had finally won the respect of the people and been accepted as a serious sovereign. He was now regaled as the father of the nation. A natural showman with his love of uniforms and decorations, he managed to catch the public mood with his embrace of ceremonials and pageantry. His decade on the throne had seen the introduction of many new royal rituals - including a more meritocratic honours system based on the Order of Merit and a revamped state opening of parliament - which were designed to reconnect the monarchy with the people after the austerity of Queen Victoria's era and the awakening of dangerous republican sentiments. He also established the custom of sending congratulatory telegrams to anyone reaching the age of one hundred.

But before *he* could even reach the age of seventy, his austerity-averse lifestyle had begun to take its toll on his health. Although no more than five foot seven inches in height, he weighed sixteen stone and had a

forty-eight inch girth - a perfect build for his favourite position of goalkeeper in ice-hockey matches at Sandringham. Following a long struggle against emphysema and a host of other lung complaints brought on by his prodigious smoking he collapsed while on holiday in Biarritz in March 1910 and on his return home after a short convalescence he suffered a fatal heart attack at Buckingham Palace on 6 May. It was typical of the man that his last words were about horseracing. On being told by the Prince of Wales that his horse Witch of The Air had won the 4.15 at Kempton Park by half a length, the turf-loving king replied: "yes, I have heard of it. I am very glad."

As sovereign Edward VII's will was sealed by right. An 1862 statute stipulated that neither the will nor the size of the estate of a monarch could be made public, although it is now reliably thought that Edward's estate was worth £2 million (over £100 million at today's prices). This was the figure given in a newspaper interview in June 1971 by Sir John Colville, the Queen's former private secretary, based on information supplied to him by an unnamed member of the royal family.¹ It is believed, though, that this sum did not include the private residences of Balmoral and Sandringham which were officially valued at £300,000 in 1936 and which if converted into 1910 prices would have pushed up the size of the estate by about £100,000.

But the real mystery of Edward's £2 million plus estate is not so much *what* was its precise size

or indeed *who* received it under the will but rather *how* he amassed it in the first place. His lavish lifestyle had drained his bank balance as rapidly as pouring champagne, his favourite tippie, down the sink. So conspicuous was his consumption that the man nicknamed “Tum Tum” often ate a twelve course dinner before tucking into supper. The next morning a brisk breakfast might mean just buttered toast, bacon and eggs, haddock and chicken. It came as no surprise that the epicurean King Edward took great delight in having a potato named in his honour. When not cramming his mouth with food and drink, he found time to smoke twelve large cigars and twenty Egyptian cigarettes a day.

His official biographer revealed that he only just got of debt in 1907, yet we now know that by 1910 he had somehow accumulated a fortune of over £2 million. This would have made him one of the richest men in England. To give some yardstick of his wealth, his friend Leopold de Rothschild - another man close to the top of nation’s rich list thanks to his part ownership of the family bank and his extensive portfolio of landed and equine property - left an estate valued at £1.5 million in 1917, while Leopold’s brother Alfred, another bank director who died the following year, left a sum of £2.5 million.

Bertie’s extravagant behaviour was in part an act of rebellion against the puritan strictures of his father who wanted him to be educated to the highest academic standards and to eschew the raffish lifestyle

of his Hanoverian uncles (at Oxford University he was not even permitted to live in college). The strait-laced Prince Albert (known as “the German professor”) famously gave him a severe dressing down when it became common gossip that a woman of easy virtue had been discovered in Bertie’s bed while he was serving as a young officer in the Grenadier Guards camp at the Curragh outside Dublin. The “lady” in question, an actress called Nellie Clifden, would be the first of a legion of female conquests, with the number of royal mistresses alone running to well over fifty.

But the root cause of Bertie’s financial woes – and perhaps his overall extravagance - was the fact that he had too much time on his hands. He reigned for less than ten years after coming to the throne in 1901 aged fifty-nine after decades living in the shadow of his indomitable and seemingly indestructible mother (“Queen Victoria,” as one wit joked, “keeps reigning and will not let the son shine”). In contrast to the well-rounded apprenticeship that Queen Elizabeth provided Prince Charles and the latitude he was accorded to liaise with all government departments (sometimes to the frustration of the prime minister of the day)² Queen Victoria refused to give her son any meaningful training for his future role as sovereign and even denied him access to state papers. As an incorrigible gossip, he could never be trusted with state secrets. The Widow of Windsor’s obsessive mourning for Prince Albert may also have made her reluctant to put her faith in any substitute royal

consort, particularly one she blamed for the premature death of her husband. In retrospect this was both short-sighted and unfair to Bertie who, while no intellectual had a lively mind, spoke French and German fluently and had a genuine interest in diplomacy and international affairs which would be put to good use much later as sovereign with his skilful handling of the Entente Cordiale between Britain and France.

Denied access to the levers of political power, the prince found solace in mixing with those who held financial power. His friends and acquaintances were all immensely wealthy – not just the old money of landed aristocrats like Lord Cadogan and the Dukes of Bedford and Westminster with their steady income stream from metropolitan rents, but also the new wealth from financiers and speculators like Horace Farquhar and Cecil Rhodes who had made fortunes in southern Africa and other colonial territories. When Rhodes was blackballed by the Travellers Club on account of some dubious overseas venture, the king registered his protest by automatically taking his own name off the members' list. He saw money, according to his official biographer, as a convenient social indicator³ and he also saw how those who had money used it to pursue pleasure beyond their wildest dreams.

When the lustre of his marriage in 1863 to the beautiful Princess Alexandra began to pale Bertie's eye soon wandered. Although it had grown into a genuine loving relationship following the arranged

union between the Danish and British royal families, the Prince of Wales's gargantuan appetite could never be satiated by one woman alone and Alexandra's sparkle may have been dimmed by the effect of childbirth and an attack of rheumatic fever (even official photographs had to be retouched to enhance her fading beauty). After a major refurbishment to his spacious Pall Mall mansion - which cost him a rumoured £100,000⁴ and the government a further £60,000 – it soon became the society venue for the raffish Marlborough House set where royalty and peers of the realm brushed shoulders with the parvenu rich and the world of entertainment. Bertie is known to have had adventures with the actresses Nellie Clifden and Sarah Bernhardt, as well as a series of longer affairs with married women including Mrs Lillie Langtry, Mrs Daisy Brook, Mrs Wally Paget and Mrs Alice Keppel – and possibly Mrs Jennie Churchill, mother of Winston. Not for nothing was he known as Edward the caresser.

His pursuit of pleasure, however, did not come cheap. On top of the cost of keeping a string of well-heeled women in the style to which they were accustomed (Alice Keppel among others was showered with jewellery), he liked to go to the races and gamble with rich friends such as Leopold de Rothschild who became almost as well-known as a horse breeder than as a merchant banker on account of his highly successful stud at Ascott. In the 1890s it was *de rigueur* for the wealthy to breed horses and

bloodstock sales became an unlikely venue for high society. The Foreign Secretary Lord Rosebery purchased a future Derby winner (to add to the stud he acquired on marrying the heiress Hannah de Rothschild, a cousin of Leopold's) and several of his cabinet colleagues were like Bertie members of the Jockey Club in Newmarket. It was not lost on politicians and plutocrats (nor indeed royalty) that the turf provided a useful place to connect with the mass of the population. At the time, the Epson Derby was the most sacred event in the sporting calendar - on a par with today's FA Cup Final at Wembley or a Lords test against Australia - and one of the rare occasions when the whole country came together. The Derby-winner was the toast of the nation.

Following in the Rothschilds' footsteps, in 1885 the Prince of Wales opened his own stud at Sandringham and soon after bought the prized mare Perdita II. His horses went on to win the Ascot Gold Cup, the St Leger and in 1896 the Derby, when much to his delight Persimmon beat by a neck St. Frusquin owned by Leopold de Rothschild. In his most successful year, 1900, he earned £29,586 in prize money but prior to that his annual average was as little as £250.⁵

Such earnings hardly offset the considerable outlay of running a large stable of horses that ran both on the flat and over fences. Some of his closest advisors - including his private secretary, Sir Francis Knollys and the soon-to-be auditor of the Civil List, Sir Edward Hamilton - had come to the conclusion in

1896 that HRH ought give up racing.⁶ The only way to balance the equine books would be to put out to stud his two prize stallions Persimmon and Diamond Jubilee whose sires according to Hamilton's later estimate might bring in £20,000 a year. Bertie was highly sensitive to any criticism that his horse racing hobby might be extravagant and in any way a drain on his finances telling dinner guests as late as December 1902 that "his racing paid [for] itself owing to his valuable sires" - although given his poor head for figures one suspects he was overstating their true value.⁷

He also loved ocean racing at Cowes, a fashionable playground for the rich akin to today's Monte Carlo or Porto Cervo, where in 1863 he succeeded his father as commodore of the Royal Yacht Squadron. At considerable expense he then developed his yacht "Britannia" into a three hundred ton racing cutter with a crew of twenty-eight. It won a number of prestigious races in 1892-3 and was later used as a base during his tours of the Mediterranean. In the early 1890s he was spending each year tens of thousands of pounds on yachting alone. One courtier who had the thankless task of managing the Privy Purse after Bertie acceded to the throne wrote "the king has no idea of the value of money and consequently gives orders wholly irrespective of expense which it is difficult to avoid executing".

No wonder the new king soon found himself heavily in debt. According to a 1904 letter to the Treasury from Sir Edward Hamilton, now the auditor of the

Civil List, "The King does not think that the present state of things ought to be allowed to carry on...For he has absolutely no private fortune on which to fall back."⁸ One other reason for his financial woes were the high overheads of maintaining the Sandringham estate, although his own extravagance - particularly when it came to fitting the latest household installations in the Big House - was in large part to blame for this. Even Sir Edward Hamilton, who customarily took the king's side on financial matters, blanched in April 1904 when he discovered that the cost of Sandringham in the previous year was - "no less than £52,000. The Civil List was fixed on the belief that the cost was about £30,000 a year. Last year there were some special items in connection with the installation [of electric light] but notwithstanding them the total is appalling."⁹

When the new Civil List first came up for discussion in 1901 the king dropped thinly veiled hints that he wished to be exempted from income tax. Hamilton records in his diary on February 2, 1901 that "he liked the idea of being relieved (if it were possible) of such charges as the payment of income tax." Such discreet lobbying went on for a number of years until he grudgingly ceded to the inevitable with Hamilton writing in a Treasury memo in June 1904 "the present king only agreed to continue the arrangement under protest."¹⁰

He was left with no option but to turn to his banker friends to bail him out. The most influential

of these was Sir Ernest Cassel whom he had first got to know when Prince of Wales through their shared interest in horseracing and who was a close friend (and later executor of the estate) of his previous main advisor Baron Hirsch who died in 1896. On top of his lucrative investments in bloodstock, Cassel had amassed with the help of his network of associates in every European financial centre a multi-million pound fortune, mainly through investments in booming overseas ventures like North American and Mexican railways. He also financed the building of the Central Line on the London Underground and Egypt's Aswan dam. A dour, humourless widower devoid of social graces, Cassel at first sight seemed an unlikely friend to the sybaritic Bertie but through a long and frequent correspondence with "*Ec*" (sixty-three letters in 1901, forty-five in both 1904 and 1905 and fifty in 1906, the majority on financial matters) he became the king's most intimate male friend.¹¹ Almost inevitably, censorious courtiers dubbed him "Windsor Cassel."

The king's other financial advisors included Nathan Rothschild, chairman of the London bank NM Rothschild and Sons (on the board of which also sat his brothers Leopold and Alfred) and the two Sassoon brothers, Arthur and Reuben ("the Rothschilds of the East"). The fact that they were all Jewish (although Cassel later converted to Catholicism) caused muttering among an establishment that was openly anti-semitic. His mistress

Lady Paget voiced her regret that he was always surrounded by “a bevy of Jews” and racing people and that he shared their “love of pleasure and comfort.”¹² This view was reinforced in January 1881 by his attendance at the Central London Synagogue for the marriage of Leopold de Rothschild to Marie Perugia which received wide press coverage and elicited many a raised eyebrow in polite society.

In 1885 he also helped elevate to the peerage his friend Nathan (“Natty”) Rothschild who as Baron Rothschild of Tring became the first professing Jew to take a seat in the House of Lords. For all his failings, the king was not prejudiced (at least not towards Jews) and he went out of his way to be friendly towards society newcomers - particularly if they were rich and smart. But the more traditionalist Prince George (known as “HRH”) took a dim view of some of his father’s financial friends and was not afraid to voice his dismay in public: “HRH (Lady Londonderry says) was a good deal down on Mrs G Keppel and spoke, as I have heard him speak, strongly against the *moneyed associates* around the king,” Hamilton recorded in his diary. “The crown will certainly not fall off Prince George’s head. It might be a dull Court, but it will certainly be a respectable one.”¹³

Bertie gave his rich Jewish friends the easy entrée into high society that their background often denied them; in return they gave him the financial guidance that his background never provided. The exact details of how his portfolio of shares and bonds was

reorganised remain to this day a closed book but his official biographer records that his banker friends helped him “make handsome profits out of judicious investments” and that by 1907 he was out of debt. His advisors took out life insurance policies and established an amortisation scheme that proved a big money-spinner.¹⁴

It has sometimes been unfairly rumoured that the king may also have sold titles to boost his bank balance. It is certainly true that he conferred on Ernest Cassel the Grand Cross of the Royal Victorian Order, the highest rank in the sovereign’s personal order of chivalry, and also honoured him with a knighthood, the title of Privy Councillor and the Grand Cross of the Order of the Bath (his attempt to make him a peer was vetoed by the Salisbury government) but there is no suggestion that any cash payment was part of the deal. Some evidence, though, has been unearthed that he may have helped Alfred Harmsworth, the wealthy proprietor of the Daily Mail and the Times, get a baronetcy in 1904 (“the father of modern journalism” was later created baron and then viscount), but again there is no definite proof that the king acted in a corrupt manner or personally benefited from any financial transaction. One writer, however, has suggested that if money did indeed change hands, it might have gone not to the king but his long-term mistress, Alice Keppel, who was experiencing difficulties financing her new elevated lifestyle and had sought financial advice from Sir Ernest Cassel.

What is beyond dispute is that he had long used his royal status to request, push or garner honours for his friends and favourites. This had begun in the 1880s when as Prince of Wales he yearned to be allowed a say in public affairs and was not averse to doing political favours to business associates like Nathan Rothschild, who was once a Liberal MP and now took a shine to Disraeli's One Nation Toryism. In the light of Bertie's affair with Lady Kilmorey who as we shall see in the next chapter had a penchant for lovers who were members of the royal family, it is interesting to note that in 1888 he made representations to the Conservative government to grant her husband, the third Earl of Kilmorey, the Order of St Patrick, the highest Irish honour. Bertie wrote a letter to the Prime Minister Lord Salisbury saying that Kilmorey was a longstanding friend from his days at Oxford and would be pleased if his name were given proper consideration.¹⁵ Lord Kilmorey was made a Knight of St Patrick in 1891 and in 1902 selected as one of the king's aides-de-camp. It is not known exactly when Lady Kilmorey was having an affair with the king (although it must have been before the coronation of 1901 when she was included in the entourage for royal mistresses) but whatever the precise chronology of events, the favour to the earl would be repaid in kind.

In July 1901 he conferred another of his personal honours for services to the royal family, the Knight Commandership of the Victorian Order, on Sir

Edward Hamilton, who had advised him while Prince of Wales. A frequent guest at Balmoral, Windsor and other royal residences the Eton-educated Hamilton was a trusted member of Bertie's social set. He was also a firm friend of Sir Ernest Cassel whom he regarded as "the ablest man in the city" and was often invited to his country estate in Newmarket and even stayed at Villa Cassel in Switzerland. They shared a friendship with the Rothschild brothers and attended luncheons at their Ascott and Tring family seats. It is worth recording that fourteen months after awarding him the KCVO, the king asked him in September 1902 to be auditor of the Civil List. Despite the occasional grumble, the king's old advisor who had also counselled his son Prince George on constitutional matters backed the king in most disputes over the Civil List. Although in the official Treasury papers he gives the impression of neutrality on questions of whether the king should be exempted from tax, in his private diaries in 1901 he reveals that he thought the paying of income tax was "on the whole wrong and unnecessary"¹⁶ and then a few years later writes: "we came to the conclusion that no (1) ['he might be released from his undertaking to pay income tax'] is the best alternative."¹⁷

It is impossible to give a definitive answer to the question of how Edward was able to get out of debt and leave behind such a large legacy as his private secretary Sir Francis Knollys assiduously followed his instructions and burnt all his personal

and financial papers, but the most likely explanation lies in the generosity of Ernest Cassel. When Bertie first got into serious debt in the late 1870s, his then financial advisor Baron Hirsh lent him money (rumoured to be of the order of £250,000-£300,000) but when Hirsch died in 1896 he left instructions to his executor Cassel that the whole debt should be written off. But according to the king's latest biographer Cassel went one step further and took over the administration of Bertie's financial portfolio, fully understanding that he himself would absorb any losses.¹⁸

In 1901 Edward gave Cassel £20,865 to invest and not long after the king's anxiety over money seemed to alleviate. It was only on his deathbed that the true extent of his benefactor's largesse became apparent. On hearing that the king was slipping away, Cassel rushed to Buckingham Palace and deposited a thick envelope by his bedside. It contained £10,000 in bank notes, the equivalent of £250,000 today. When the money was returned to Cassel after the king's death, he refused to accept it saying that "it represented interest I gave to the King in financial matters I am undertaking."¹⁹ If it had indeed been interest then the initial investment would have had to have been much larger than the £20,865 invested in 1901. Many biographers now believe that the money was a gift intended for the king's mistress Mrs Alice Keppel whose husband's modest salary was insufficient to keep her in the style to which she was accustomed.

Soon after Bertie's death, she moved into a sumptuous Mayfair mansion in Grosvenor Street.



Any attempt to put a monetary value on the estate of Edward VII must take into account that most of his inherited fortune came from landed rather than liquid assets. When Queen Victoria died in 1901 she left him little if any cash - as is the convention with the Prince of Wales who benefits from generous revenues from the hereditary estates of the Duchy of Cornwall. Instead, she bequeathed him her private residences: Osborne House and Balmoral Castle.

During her long reign Queen Victoria had been able to build up a highly valuable portfolio of private property thanks in large part to the financial astuteness of Prince Albert and the passing of one important piece of legislation in 1800. Prior to that date, the monarch had only a public legal identity - and no private one. This meant that his or her private possessions were inextricably linked to the public possessions of the crown. In effect, the sovereign was the state - and vice versa. It also meant that his will was probably not legally binding. Since he owned property only in his capacity as king and not as a private person, then on his death it should automatically pass to his rightful successor rather than to any private individual named in his will. The Crown Private Estate Act (1800) changed all that. It gave the

monarch a private financial status: he could own land privately and make a will.

After his marriage to Victoria in 1840, Prince Albert with no constitutional duties to perform devoted his considerable energies and Germanic zest for order to the reform of the royal finances, conducting a cost-cutting drive in the royal household and ensuring that the queen had an independent source of wealth. She had succeeded to the throne, according to one royal biographer, penniless: “her father had been so poor he had driven the family in his own carriage because he could not afford servants.”²⁰ Her husband went so far as to complain to the Prime Minister Lord John Russell that the nation takes from the monarch his hereditary monies but does not allow him to amass a private income.²¹ When prior to 1800 the sovereign was unable to have a private income, there was little incentive to boost revenue from the crown estates or landed property since it all went into the public pot, but now Queen Victoria enjoyed an independent financial status it was in her interests to manage and maximise her wealth. One way to achieve this was through capital accumulation. She is now known from Treasury papers to have saved £824,000 in the first fifty years as queen from her Civil List revenue²² and gained an estimated £1.5m more from her Duchy of Lancaster revenues.²³ She also received a £250,000 windfall when in 1852 the eccentric property developer John Nield left her almost all his landed fortune.

Wisely Prince Albert converted much of this cash into the more solid long-term investment of bricks and mortar. The royal couple’s first private purchase was Osborne House, a large estate near Cowes on the Isle of Wight which was to be their summer palace. In 1845 they paid £45,000 for the property but the total cost rose to £200,000 (over £10 million in today’s values) after all the interiors were rebuilt in an Italianate style complete with marble columns and palazzo-type fittings. This was not to the taste of Edward, Prince of Wales, and Alexandra who detested the mausoleum-like atmosphere (their grandson George VI called it the family necropolis). This posed a problem when after the death of Victoria at Osborne in January 1901, Edward VII inherited a part share of the house along with his siblings. We now know from a 1901 Treasury document that the property cost a hefty £17,000 a year to run.²⁴ His immediate response was to hand it over to the nation for conversion into a naval college and nursing home but after it was pointed out that his mother’s wish as clearly stated in her will was for the property to remain in the hands of the family, he felt obliged to consult with his three sisters about the matter. Following considerable arm-twisting, it was decided after all to give it to the nation but to achieve this a special act of parliament had to be passed in order to overturn Queen Victoria’s testamentary wishes.

Victoria’s most important property investment by far was Balmoral castle in the Scottish Highlands - but

she did not acquire it in her name. The freehold was formally bought in June 1852 by Prince Albert from the Earl of Fife after it was discovered that the 1800 Crown Estates Act did not apply to Scotland and as such the property would belong to the state if the queen signed the contract (this loophole was closed in 1864 to allow Victoria to inherit the property after Albert's death). Albert had been able to knock the price down to £31,500 since he had cleverly leased the property for the previous four years which meant that the vendor could hardly sell the land to anyone other than the royal couple and had to settle for a below market rate. The rugged setting on Deeside reminded Albert of his German homeland and with the assistance of the architect William Smith he spent the next three years building on the 23,000-acre estate a new castle in a Teutonic style. He turned it into a romantic time capsule, a world away from metropolitan life where one could hunt, shoot and fish to one's heart's content. Once again it was not to everyone's taste - the Prime Minister Lord Rosebery observed that he had thought the drawing room at Osborne was the ugliest room in the world until he witnessed the drawing room at Balmoral. When Edward VII inherited the property, the only thing he liked about it was the shooting; his wife reputedly loathed the place. As with Osborne, the running costs also put a significant strain on his finances representing in 1901 £20,000 a year and as with Osborne he even tried to transform its status into an official rather than private

residence, presumably to make it eligible for more public funding.

Prince Albert also turned his business brain to the reform of the hereditary revenues from the Duchy of Cornwall. Consisting of 135,000 acres mainly in the south west of England, the duchy was created in 1337 by Edward III for his son and heir, Edward, the Black Prince, and thereafter it became the main source of private income for all Princes of Wales. Under the 1337 charter the Duke of Cornwall was not entitled to the proceeds from the sale of land but only from their rental income. Since much of the land was only semi-arable and the urban properties were in poorer areas of south London it never produced great profits and this may in part explain why it was unaccountably excluded from the 1760 financial settlement that transferred the Crown lands to the state in return for the Civil List. But by the mid 19th century with the rise in city rents and the expansion of the railways requiring the acquisition of rural land this seemingly worthless anomaly became potentially profitable. Under Prince Albert's guidance, city dwellings were modernised, arable land improved and tenancy agreements renegotiated. Over the next quarter of a century net revenue from the duchy almost doubled rising from £25,000 to £46,000 a year.²⁵ Although Bertie complained bitterly about having nothing to do during his long apprenticeship to be sovereign, the wait did have a considerable financial advantage in so far as it meant that for forty years he was Duke

of Cornwall and in receipt of on average £35,000 a year. He even benefited from the accumulated revenues built up as a minor before he became duke. According to a confidential 1937 Select Committee Report which examined the Duchy of Cornwall revenues he “possessed the revenues which were then somewhat fewer during his whole minority. It appears that the accumulated sum which he received on majority was about £600,000 in stock, bringing in £18,000 a year.”²⁶

The longer the wait, the greater the cumulative income - providing of course he did not spend it all. This financial calculus applied equally to his son, the future George V who enjoyed almost a decade of Duchy of Cornwall revenues and also to his grandson, the future Edward VIII, who had more than twenty years of income. Indeed, it is often forgotten that today’s Prince of Wales like Bertie has had forty plus years of revenue from the Duchy of Cornwall, although in his case the revenues have been much greater since the duchy is today much more profitable than it was in the 19th century.

Prince Albert also overhauled the revenues of the Duchy of Lancaster, another anomalous portfolio of hereditary land that somehow escaped the 1760 settlement and in this case became the personal source of revenue for the sovereign.²⁷ In the early years of Victoria’s reign revenue was as low as £5,000 per annum but by the end it was closer to £60,000,²⁸ although it never reached the level of the Duchy of

Cornwell. One possible reason why Bertie may have got into debt as a sovereign was that on his accession his personal source of income switched from the Duchy of Cornwall (which produced £92,085 in 1910) to Duchy of Lancaster revenue (which produced just £64,000), although of course he did get a uplift in Civil List payments as sovereign.

Albert also had his eye on a property in Norfolk for Bertie - Sandringham Hall set in 7,000 acres of prime game country on the southern shore of the Wash. But when he died suddenly from stomach cancer (and possibly undiagnosed Crohn’s disease) in December 1861 it was left to Bertie (with perhaps some aid from Queen Victoria) to pay the hefty £225,000 asking price, although at least one tenth of the sum came from Duchy of Cornwall revenues.²⁹ It had been the hope of Bertie’s parents that he would be distracted from the fleshpots of London by the estate’s bucolic charms but in the event their plans backfired spectacularly. He took such an immediate shine to the place that he invited all his lady friends and fun-loving financiers down for bacchanalian weekends in the country. Shooting, hunting and eating were favourite pursuits.

Finding the original house too cramped for his needs, he soon demolished it and built at considerable expense a new Jacobean-style redbrick mansion known as “The Big House”. With an entrance hall that doubled as a ballroom which was dominated by a stuffed baboon, the interior decoration was on a par

with Balmoral and Osborne. One royal biographer thought the house had all the majesty of a Scottish golf hotel.

In time Bertie made extensive changes to the estate. New roads were constructed, a spectacular ironwork gate was installed and extra stables and cottages were built - including York Cottage which was to be the much-loved home of his son, the future George V. In addition to spending £200,000 on new buildings, repairs and landscaping, he purchased more land in nearby Anmer and Flitcham almost doubling the total holding to 15,000 acres.

When Edward finally died in 1910, he left George V not just Sandringham but also Balmoral. He also bequeathed him many priceless family art treasures but according to the testimony of George's private secretary no cash. This was because as Prince of Wales George would have been able to accumulate a considerable fortune from the revenues of the Duchy of Cornwall. He also received a generous annuity from the Civil List from which he saved money.

Although Edward's will left ownership of the Sandringham estate to his eldest son, it also granted his wife Alexandra the use of Sandringham House for her lifetime. Even though it would have made more sense for her to swap places with George V and allow him to use the spacious Big House instead of the cramped York Cottage where he lived with the queen and their six children, she preferred to stay put. Since Bertie had bought and built up the place

as his private country house, she regarded it as totally different to the palaces which belonged to the crown. One royal biographer detected a streak of "spoiled selfishness" in her character and this came to the fore when she became a widow. She led a life of profligacy which might have been a reaction to decades of playing second fiddle to her philandering husband and enduring the sniping of other members of the royal family. Princess Alice was of the opinion that "Alix" could never be a good companion for someone as intelligent as "Uncle Bertie" because she was heavily deaf and not very bright. In fact, her life had been transformed back in 1867 when an attack of rheumatic fever left her with progressive deafness, tinnitus and a permanent limp. While her husband pursued the pleasures of the flesh in London, she had to endure a life of exile in Sandringham, only consoled by the fact that the flat Norfolk countryside reminded her of Denmark.

Alexandra was also left £200,000 in her husband's sealed will. We know this thanks to an entry dated June 30, 1910 in the diary of Charles Hobhouse, the Financial Secretary to the Treasury in Herbert Asquith's cabinet: "the king I find left a fortune of £200,000 to the queen for her life. She is now trying to evade payment of super tax, income tax and death duties."³⁰

Balmoral and Sandringham were liable to a relatively new and highly unpopular tax known as Estate Duty which was introduced in 1894 by the Liberal

Chancellor of the Exchequer Sir William Harcourt - partly "to woo the masses" and partly to finance naval expenditure by Lord Rosebery's government. Levied at 8% on estates over £1 million, this "punitive taxation" was regarded as the first deliberate assault on landed wealth - Sir Edward Hamilton, then an assistant Financial Secretary in the Treasury, described the tax scale as "frightening"³¹ and even Queen Victoria wailed that it could not fail to cripple all landowners.³² In 1910, when the rate was up to 15%, the Attorney General, Sir Rufus Isaacs, drew up a confidential memorandum which he submitted to his Prime Minister Asquith stating that unlike crown property, the monarch's landed property was not exempt from estate duty.

This was not the first time that Alexandra had locked horns with the Treasury. At the beginning of Edward VII's reign when the Civil List payments were being negotiated, she rejected out of hand the generous offer of a pension of £60,000 a year in the event of her husband predeceasing her and instead persuaded the Exchequer to grant her £70,000 a year (close to £4 million at today's prices). This proved a considerable income for someone who grew up a member of the cash-strapped Danish royal family. As the Prime Minister Arthur Balfour observed waspishly at the meeting of the Civil List committee: "it would be interesting to know what are the revenues of the court of Denmark."³³ In fact, we now know that her parents, Prince and

Princess Christian, had only a paltry £800 a year to live on.³⁴

Alexandra also held out for as much jewellery as possible from her husband's estate. She wanted to keep Bertie's diamond garter insignia and the diamond crown she wore at the opening of parliament. But his will was unclear whether they belonged to the crown or Alexandra personally. Matters were not helped by the fact that Alexandra never made any attempt to differentiate public from personal jewellery in sharp contrast to Queen Victoria who carefully catalogued all her jewels and specifically listed in her will which pieces should be worn by future queens.

In the end, it is believed that she kept the disputed items thanks in part to the intervention of her beautiful sister "Minnie", Dowager Empress Dagmar, the widow of Tsar Alexander III, who had a soft spot for priceless gems and took great delight in upsetting British royal protocol (one exacerated junior royal called her a "pernicious influence").

Edward would probably have left some of his other private jewels to his three daughters - and his long time mistress Mrs Keppel. It is remotely possible that other paramours were remembered in his will but we have no documentary evidence for this as following the instructions in his will, Alexandra destroyed all his private and public papers, including letters to her and Queen Victoria.

The old queen spent the rest of her life in declining health dividing her time between Sandringham

and her London home at Marlborough House. Despite the £200,000 inheritance from Bertie and the Civil List pension of £70,000, she still managed to have money problems. Sometimes she ran up large bills on new furniture, on other occasions she would shower a big sum on a favourite charity or an acquaintance down on his luck. The word “cost” was not part of her lexicon and she was reported as saying that if she got into debt then the government could pay. George V was forced to give her a personal allowance of £10,000 and pay for much of the upkeep of Sandringham and Marlborough House. Even the Treasury agreed to exempt almost all of her annuity from taxation.

But as her health deteriorated, she was able to take less and less pleasure from her vast wealth. On one memorable visit, the Arabist adventurer TE Lawrence found her “a mummified thing” with “red-rimmed eyes” in an “enamelled face” - an image reminiscent of another faded beauty, the stroke-stricken Princess Margaret with her bandaged arm and face hidden behind dark glasses. In her final years, Alexandra was half blind, mentally confused and almost totally deaf. She eventually died at Sandringham of a heart attack on 20 November 1925 aged 80.

Her will did not need to be sealed because she never made one. Unlike her mother-in-law Queen Victoria or her daughter-in-law Queen Mary, succession planning was never her strong suit. Dying intestate meant that her estate was divided according to family closeness as defined in law rather than any personal

testamentary wishes. Whether you are a royal or a commoner, this is a traditional recipe for domestic strife.

For Alexandra’s estate the difficulty lay in how the jewellery and personal effects were to be split up. On Saturday January 9, 1926 the main beneficiaries gathered at Sandringham House. Present were King George V, Queen Mary and Alexandra’s two daughters, Queen Maud of Norway and Princess Victoria (Princess Louise, the eldest daughter, was at home in Scotland). Queen Mary later described how she was faced with a vast collection of good and bad personal possessions that showed what happened when nothing was thrown out for six decades.³⁵

Mary quickly assumed the lead role in the distribution of chattels, with the jewellery collection being split into four equal shares.³⁶ When it came to choosing their joint share, George and Mary were particularly interested in any personal items given to Alexandra by the royal family on her marriage in 1863 and any personal bequests from Queen Victoria in 1901. They also retrieved all the crown jewels that Alexandra had kept for her own use after the death of Edward VII.

By not making a will that could be sealed, Alexandra broke with royal convention and unwittingly allowed some daylight to be shed on her estate. But she could not totally shake off the royal family’s atavistic attachment to posthumous privacy. She left instructions that on her death all her private papers be burned.