



ST. MARY THE VIRGIN

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Sovereign Military Order of the Temple of Jerusalem

Templar Bankers

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## INTRODUCTION

### Templar Bankers

**R**egarded as a safe place by locals, Templar communities or convents became repositories for cash, jewels, and important documents. The order had their own cash reserves which were, from as early as 1130, put to good use in the form of interest-gaining loans. The Templars even permitted people to deposit money in one convent and, provided they could show a suitable letter, transfer and then withdraw equivalent money from a different convent. In another early banking service, people could hold what today would be called a current account with the Templars, paying in regular deposits and arranging for the Templars to pay out, on behalf of the account holder, fixed sums to whoever was nominated. By the 13th century, the Templars had become such proficient and trusted bankers that the kings of France and other nobles kept their treasuries with the order. Kings and nobles who embarked on crusades to the Holy Land, in order to pay their armies on the spot and meet supply needs, often forwarded large cash sums to the Templars which could be withdrawn later in the Levant. The Templars also lent money to rulers and thus became an important element in the increasingly sophisticated financial structure of late medieval Europe, and possibly contributing to their ultimate demise.





## Feiquan

The Templars were not the first organization in the world to provide such a service. Several centuries earlier, Tang dynasty China used "feiquan" - flying money - a two-part document allowing merchants to deposit profits in a regional office, and reclaim their cash back in the capital. Flying cash was never originally meant to be used as legal tender and, therefore, their circulation was limited. However, since they could be exchanged for hard currency at the capital with an exchange fee of 100 *wén* per 1000 *wén*, they were traded amongst merchants as if they were currency. It was not until the Song dynasty and subsequent Jin occupation that paper money was officially established as a legal tender. Eventually, the Song Dynasty began to issue more notes to pay its bills - a practice that ultimately contributed to runaway inflation. The use of paper money spread westward through Mongol traders and, by 1661, European countries were printing paper currency.

# Financial Services

The Knights Templar were warrior monks. A religious order, with a theologically inspired hierarchy, mission statement, and code of ethics, but also heavily armed and dedicated to holy war. So how did they get into banking?

The Templars dedicated themselves to the defense of Christian pilgrims to Jerusalem. The city had been captured by the first crusade in 1099 and pilgrims began to stream in, travelling thousands of miles across Europe. Those pilgrims needed to somehow fund months of food and transport and accommodation, yet avoid carrying huge sums of cash around, because that would have made them a target for robbers.

In step the Templars. A pilgrim could leave his cash at Temple Church in London, and withdraw it in Jerusalem. Instead of carrying money, he would carry a letter of credit. The Knights Templar were the Western Union of the crusades.

The Templars were not the first organization in the world to provide such a service. Several centuries earlier, Tang dynasty China used "feiquan", but that system was operated by the government. Templars were much closer to a private bank - albeit one owned by the Pope, allied to kings and princes across Europe, and run by a partnership of monks sworn to poverty.

The Templars was more accurately the world's first financial-services company. If you wanted to buy a nice island off the west coast of France - as King Henry III of England did in the 1200s with the island of Oleron, north-west of Bordeaux - the Templars could broker the deal. Henry paid £200 a year for five years to the Temple in London, then when his men took possession of the island, the Templars made sure that the seller got paid.

There was a system of banking of deposits — in the 1200s King John of England deposited the crown jewels with the Templars in London when he was in trouble before the Magna Carta; the Templars operating as a very high-end pawn broker.

Money deposited with the Templars was not pooled and reinvested, but remained in its owners' strongboxes within the Order's treasury, and could not be accessed without the owners' permission. The Templars, it should be noted, took this duty to protect money deposited with them very seriously. The most famous example of their diligence in this regard occurred during the Seventh Crusade when King Louis IX of France was taken captive along with the bulk of his nobles and knights. A ransom was at length negotiated, but when the royal treasury was counted the French found to their dismay that it was short some thirty thousand livres. The Seneschal of France, Jean de Joinville, realizing that the Templars must have that much money aboard their flagship, promptly requested that the Knights Templar advance the sum to the King of France, so he and his leading nobles could escape captivity. The Templars refused because it was not Templar money and they had sworn not to release it to anyone without the owner's permission. The threat of force by Joinville persuaded the Templars to bend the rules a little, but less dire circumstances would have made a threat of force against the Templars nearly unthinkable and their surrender even less so.

From accepting deposits to transporting those deposits was only a short and logical step. The Knights Templar rapidly built up a network of houses and commanderies stretching from the Atlantic to the Jordan.

In 1150, the Knights Templar began generating letters of credit for pilgrims journeying to the Holy Land: pilgrims deposited their valuables with a local Templar preceptory before embarking, received an encrypted document indicating the value of their deposit, then used that document upon arrival in the Holy Land to retrieve their funds – the first traveler’s checks.

Until Philip IV decided to bite the hand that fed him, the Temple in Paris served as the treasury of France. The royal treasurers were all senior officials of the Temple, and the French treasury was housed in the Paris Temple.

Although in no other kingdom was the relationship quite so close, many other monarchs likewise appointed Templars to serve as their financial managers. In England, a Brother Geoffrey of the Knights Templar was appointed by Henry III to manage all his personal expenditure. The Kings of Scotland, Ireland, and Aragon and many popes did the same at various times.

While the Templars were frequently found in the role of “almoner” — the person who dispenses royal largess — they were also often entrusted with collecting money as well. Thus the Templars were made responsible for raising the “Saladin Tax” levied on every household in England to support the war in the Holy Land. The Popes also entrusted them with collecting exceptional tithes, usually those in association with defense of the Holy Land. There are also instances when the Templars were employed as reliable agents to collect purely secular dues, such as customs duties in Ireland.

Although the evidence is fragmentary, it is sufficient to confirm that by the mid-thirteenth century the Templars were sophisticated accountants. If a monarch, lord or bishop had any reason to doubt the accounts his own servants put before him, he could turn to the Knights Templar and ask them to audit said accounts.

To back these services, the Templars needed funding.

## Funding

When a man joined the Knights Templar he took an oath of poverty and his wealth and lands were donated to the Knights Templar order. The first donation of land was given to the Templars in 1127 by Count Thybaud of Champagne at Barbonne-Fayel, north-west of Troyes. Further donations of money and land were given to the Knights Templar order by nobles and Kings. The Knights Templar were also given certain privileges, for example, King Alfonso I of Spain granted the Knights Templar

exemption of tax on a fifth of the wealth taken from the Moors. Various Popes also gave privileges to the order.

**1139** Pope Innocent II issued a Papal Bull that allowed the Knights Templar special rights. Among them, the Templars were exempt from paying taxes, permitted to build their own oratories and were held to no one’s authority except the Pope’s.

## Philip IV

is an enigma. He was tall, blonde and handsome (hence the nickname 'Fair') but aloof. He was born in Fontainebleau in 1268, the second son of Philip III. His childhood was not the happiest. His mother died when he was three and his stepmother, Marie de Brabant, allegedly preferred her own children to Philip and his brothers. When Louis (Philip's elder brother) died in 1276 his step-mother was accused of poisoning him but was acquitted. One, Bishop Saisset compared him to an owl who simply stared at people but couldn't speak to them and was controlled by his ministers' decisions. Yet Philip was also said to be good at getting his own way and could be terrifying to those who crossed him. Philip is best remembered for his conflict with Pope Boniface VIII and the Knights Templars. In 1296 Boniface issued a Papal Bull which prohibited taxation of the clergy without the Pope's approval. He had to retract this under pressure from Philip and Edward I. Gossip began to circulate that Boniface was guilty of heresy, simony and even murder. The Pope in 1301 prohibited the French King from taxing the clergy and tried to summon the French clergy to Rome to discuss the French church. Philip responded by calling nationwide assemblies which promised to have the Pope tried for heresy. This culminated in the Pope being arrested in Anagni (Italy) by agents of the King of France. After two days Boniface was freed but the elderly man was shaken by the experience and died a month later.

They were also the recipients of popular donations, what today we would call crowdfunding. People left them in their wills a donkey or a plot of land, small donations that when added up were massive and funded military operations. Their spread of properties all across Europe and presence in just about every kingdom made them unique. They crossed boundaries and weren't subject to the authority or policies of any particular king.

The early masters of the Templars were adept at raising finance. As soon as the Templars were established in 1119-20, Hughes de Payens the first Grand Master, returned to Europe and toured the royal courts attracting high-level investment. He persuaded Henri I, son of William the Conqueror, to raise treasure from his barons which was then funneled back to fund the Templars – similar to venture capital.

In France for about a hundred years during the 13th century, the Templars subcontracted large swathes of French Treasury functions. They were paying royal officials there on behalf of the crown and running the books for the French King, his brothers and mother. They were collecting, on behalf of the Pope, the crusading taxes levied by the church in England, France, Hungary and parts of Spain and Italy.

The Knights Templar banking activities led to their involvement with Usury. Usury was a form of money lending where an initial charge was made for a loan, or interest was charged on the repayments which in turn brought even greater wealth into the Knights Templar order.

Not that Templar resources weren't occasionally strained. When King Louis VII of France washed up in the Holy Land having lost the bulk of his army and all of his treasury in a disastrous overland crusade, the Knights Templar loaned him so much cash to cover his expenses during the remainder of his time in the Holy Land that it *"brought the Order close to financial ruin."*

## Beginning of the End

The Knights Templar banking activities increased their financial wealth and political power. Powerful monarchs went to the Knights Templar treasurers to obtain loans to finance their interests which included financing the cost of mounting a war. This was the case of King Philip IV of France. The classic story is that the crusader states were lost in 1291 and 15 years later the Templars fell into the middle of a row between Philip IV the King of France and the Pope. But it's deeper than the French King owing them money and not wanting to pay it back.

After assuming the throne, Philip inherited a sizable debt from his father's war against Aragon. By November 1286 it reached 8 tons of silver to his primary financiers, the Templars, equivalent to 17% of government revenue. This debt was quickly paid off and in 1287 and 1288, Philip's kingdom ran a budget surplus.

After 1289, a decline in Saxony's silver production, combined with Philip's wars against Aragon, England and Flanders, drove the French government to fiscal deficits. In 1291 the budget swung back into surplus only to fall into deficit again in 1292.

## Franzesi Bankers

The Franzesi brothers would today be called "unscrupulous employers" but their business sense led them very far. The first two, Albizo and Ciampolo, also called Musciatto, made their fortunes in France, while Nicholas, the third brother, worked mainly in Florence. Known in France as the "Mouche" and "Biche", the two brothers Franzesi conquered the trust of King Philip the Fair, to become, in recent years of the thirteenth century, tax collectors and treasurers of the crown. They amassed a great economic fortune and a long series of titles of nobility. Their economic success is further increased when they were able to introduce themselves as bankers at the Roman curia, at the time of Pope Boniface VIII. To curry favor with the pope, Niccolò built a convent in Florence dedicated to St. Boniface. Although operating in France, the two lords consolidated their power even in central Tuscany, buying numerous castles in the territory of Siena and in the Lower Valdarno. The Franzesi, although suspected of plotting against Boniface VIII, also received great confidence by the successor to Pope Benedict XI, who appointed them papal treasurers. Upon them rests the very suspicion of having appropriate a large sum for a holy war and a part of the papal treasury, which were transported to France.

The constant deficits led Philip to order the arrest of the Lombard merchants, who had earlier made him extensive loans on the pledge of repayment from future taxation. Despite this draconian measure, the deficits continued to stack up in 1293. By 1295, Philip had replaced the Templars with the Florentine Franzesi bankers as his main source of finance. The Italians could raise huge loans far beyond the capacities of the Templars, and Philip came to rely on them more and more. The royal treasure was transferred from the Paris Temple to the Louvre around this time.

In 1294, France went to war against England and in 1297, Flanders declared its independence from France. By 1295, to pay for his constant wars, Philip had no choice but to borrow more and debase the currency by reducing its silver content. This led to the virtual disappearance of silver from France by 1301.

The defeat at the battle of Golden Spurs in 1302 was a crushing blow to French finance, reducing the value of the French currency by 37% in the 15 months that followed. The royal government had to order officials and subjects to provide all or half, respectively, of their silver vessels for minting into coins. New taxes were levied to pay for the deficit. As people attempted to move their wealth out of the country in non-monetary form, Philip banned merchandise exports without royal approval. The king obtained another crusade tithe from the pope and returned the royal treasure to the Temple to gain the Templars as his creditors again.

After bringing the Flemish War to a victorious conclusion in 1305, Philip on 8 June 1306 ordered the silver content of new coinage to be raised back to its 1285 level. To harmonize the strength of the old and new currencies, the debased coinage of 1303 was devalued accordingly by two-thirds. The debtors were driven to penury by the need to repay their loans in the new, strong currency. This led to rioting in Paris on December 30, 1306, forcing Philip to briefly seek refuge in the Paris Temple, the headquarters of the Knights Templar.

Perhaps seeking to control the silver of the Jewish mints to put the revaluation to effect, Philip ordered the expulsion of the Jews on July 22, 1306 and confiscated their property on August 23. With the Jews gone, Philip appointed royal guardians to collect the loans made by the Jews, and the money was passed to the Crown. The scheme did not work well. The Jews were regarded as comparatively honest, while the king's collectors were universally unpopular. Finally, in 1315, because of the "*clamor of the people*", the Jews were invited back with an offer of 12 years of guaranteed residence, free from government interference. In 1322, the Jews were expelled again by the King's successor, who did not honor his commitment.

When Philip levied taxes on the French clergy of one half their annual income, he caused an uproar within the Catholic Church and the papacy, prompting Pope Boniface VIII to issue the bull *Clericis Laicos* (1296), forbidding the transference of any church property to the French Crown. Philip retaliated by forbidding the removal of bullion from France. By 1297, Boniface agreed to Philip's taxation of the clergy in emergencies.



Philip, because of his wars with England and Flanders, was chronically short of money. He was substantially in debt to the Knights Templar. As the popularity of the Crusades had decreased, support for the military orders had waned, and Philip used a disgruntled complaint against the Knights Templar as an excuse to move against the entire organization as it existed in France, in part to free himself from his debts. Other motives appear to have included concern over perceived heresy, assertion of French control over a weakened Papacy, and finally, the substitution of royal officials for officers of the Temple in the financial management of French government.

At daybreak on Friday, October 13, 1307, hundreds of Templars in France were simultaneously arrested by agents of Philip the Fair, to be later tortured into admitting heresy in the Order. The Templars were supposedly answerable only to the Pope, but Philip used his influence over Clement V, who was largely his pawn, to disband the organization. Pope Clement did attempt to hold proper trials, but Philip used the previously forced confessions to have many Templars burned at the stake before they could mount a proper defense.

In March 1314, Philip had Jacques de Molay, the last Grand Master of the Temple, and Geoffroi de Charney, Preceptor of Normandy, burned at the stake.

While the wealth of the Templars was ordered to be transferred to the Knights Hospitaller, King Phillip held onto a majority of the lands in France until 1818. In England, the lands were divided up amongst the crown and nobility until 1338. In other parts of Europe, the land was never transferred to the Knights Hospitaller, but instead taken over by nobility and monarchs.

In November 1314, Philip suffered a stroke while out hunting and died soon after at Fontainebleau.