

DIARY FOR JUNE.

1. Sun....Trinity Sunday.
4. Wed....Lord Eldon born 1751.
5. Thu....Battle of Stoney Creek, 1813.
7. Sat....Easter Term ends.
8. Sun....First Sunday after Trinity.
9. Mon....County Court Sittings for Motions in York. Surrogate Court Sittings.
10. Tues....General Sessions and County Court Sittings for trial except in York.
11. Wed....St. Barnabas. Lord Stanley Gov.-Gen., 1898.
14. Sat....County Court Sittings for Motions in York end. Magna Charta signed, 1215.
15. Sun....Second Sunday after Trinity.
16. Mon....Battle of Quatre Bras, 1815.
18. Wed....Battle of Waterloo, 1815.
19. Thu....Battle of Blenheim, 1704.
20. Fri....Accession of Queen Victoria, 1837.
21. Sat....Longest day.
22. Sun....Third Sunday after Trinity. Slavery declared contrary to the laws of England, 1772.
24. Tues....Midsummer Day. St. John Baptist.
25. Wed....Sir M. C. Cameron died 1887.
26. Sat....Coronation of Queen Victoria, 1838.
29. Sun....Fourth Sunday after Trinity. St. Peter.
30. Mon....Jesuits expelled from France, 1880.

Reports.

HIGH COURT OF JUSTICE, ONTARIO.

RE CENTRAL BANK. NORTH AMERICAN LIFE INSURANCE CO.'S CASE.

Banking and company law—Purchase or pledge of bank shares—Limitation of a company's powers in respect thereof—Ultra vires—Loan to a bank on its shares—Liability of the loaning company under the Bank Act—Winding-Up Act, R.S.C., c. 129.

It is not only a canon of English municipal law, but a principle of universal law, which must be taken, in the absence of proof to the contrary, to be a part of every system of jurisprudence, that the governing body of a trading corporation cannot in general use the funds of its community for any purpose other than those purposes for which they were contributed or authorized to be used.

The capacities and powers of trading and other companies are limited in degree according to the purposes of such companies, and the measure of a company's liability in respect of its contracts must be co-extensive with its power to make them.

The charter incorporating a company creates a contract between the company and its shareholders, and any act of the directors or company not within its express or implied powers would be a breach of such contract, and therefore *ultra vires*.

When a company has no power under its charter to become the owner of bank shares, or to acquire any other title than that of pledgee, such a company, in winding-up proceedings, cannot be treated as an ordinary holder or purchaser of such shares, so as to be subject to the double liability clause of the Bank Act.

Where any application of the funds of a company to a purpose not within its charter would be restrained by injunction at the suit of a shareholder, the court cannot declare such company's funds liable therefor, as such a declaration would be giving judicial sanction to a breach of trust, or to an act *ultra vires* of the company.

Where a company having authority to borrow money from other companies or individuals pledges its own shares as a security for a loan, the company making the loan thereon to the borrowing company cannot be made a contributory in the proceedings for the winding up of such borrowing company.

Therefore, where an insurance company loaned money to a bank and took as security for such loan a transfer of certain shares of the bank, which loan was repaid before the insolvency of the bank, and the shares though re-transferred by the insurance company were not accepted on the books of the bank, as required by the Bank Act, the insurance company, on the winding up of the bank, was held not to be a contributory in respect of such shares.

[May 14, 1890.]

This was an application in the winding-up proceedings of the above bank against the above insurance company on the facts stated in the judgment. The case was argued before the Master on the 25th and 26th of April, 1890.

W. R. Meredith, Q.C., for the liquidators.

J. K. Kerr, Q.C., for the Insurance Company.

Mr. Hodgins, Q.C., MASTER-IN-ORDINARY.

In these winding-up proceedings an application is made by the liquidators of the Central Bank to have the above insurance company placed on the list of contributories in respect of 135 shares of the capital stock of the bank, and to be held liable to pay the sum of \$13,500, being the amount of the double liability imposed on shareholders by s. 77 of the Bank Act.

The evidence establishes that on the 27th July, 1887, the Central Bank obtained a loan of \$12,000 from this insurance company through a firm of brokers in Toronto, on the security of a transfer of 135 shares in the capital stock of the bank. The transfer book of the Central Bank shows that on that day Mr. Allen, the cashier, but in his own name, purported to transfer 135 shares to the firm of brokers, who in like manner purported to assign them to the insurance company, whose manager appears to have duly accepted the shares. Interest on the loan was paid by the bank to the company, and charged against the interest account in the bank books. On the 27th September, 1887, the loan was repaid by the bank, and the company, through their Vice-President, purported to re-assign the 135 shares in blank, but by a marginal order they made the transfer subject to the order of A. A. Allen, cashier in trust. The transfer of these 135 shares was never accepted so as to divest the insurance company of their title and vest it in another holder, as required by the Bank Act, and hence the application by