

VALUING PROPERTIES FOR LOAN-
ING PURPOSES.

A lesson to careless or incompetent valuers of property for the purpose of mortgage loans is to be found in the account given of a law-suit, recently tried in England. The case was that of *Fletcher v. Golland*, and was tried before Mr. Justice North. It will be found of interest both by mortgagees who make advances upon property on the strength of expert valuations, and by professional men who make these valuations:

The plaintiff in the case, Mr. Robert Fletcher, in January, 1887, advanced a sum of £350 to one Joseph Bunting, on the security of a mortgage of some house property in Nottinghamshire. The property had been previously mortgaged to other persons for sums amounting in the whole to £1,355, and before those mortgages were executed, valuations had in each case been made by Mr. Golland, an auctioneer and estate agent at East Retford, and the defendant in this action. The valuation furnished to the plaintiff estimated the worth of the property at "twenty years' purchase, which would be £2,600, and I consider it a safe investment for £1,700. Rent, £130 a year." The sum advanced by the plaintiff, £350, together with the amount of the earlier mortgages, brought the total up to £1,705. The mortgagor, however, became bankrupt, and the plaintiff was unable to obtain any interest on his advance. The plaintiff alleged by his statement of claim that the defendant failed to use proper care, skill, and diligence in making the valuation, although he had express notice that it was required for the purposes of a proposed advance, and in order to enable the intending mortgagee to determine how much might be properly advanced, and the plaintiff further alleged that "the defendant made the representations contained in the valuation recklessly, and in breach of the duty he had undertaken, even if the representations were not false to his knowledge." The plaintiff claimed, as damages for the loss sustained by him, £350, with interest from the date of the advance until payment at 5 per cent., as reserved by his mortgage deed, and also the costs of the action. The evidence at the trial showed that in November, 1886, the defendant had valued the property at £1,825, but some money had been expended on it, and some improvements made before January, 1887. It appeared also by the evidence that the property had never been let at rents at all approaching £130; the gross rents actually obtained in January, 1887, did not exceed £85, but part of the property was then unlet. Evidence given by valuers put the value of the property in January, 1887, at £1,650 at the outside.

Mr. Justice North came to the conclusion that the representation made as to the value of the property was fraudulent, as the statement that the rent was £130 had been proved to be untrue, the actual rental at the date of the valuation being £85, and having referred to *Derry v. Peek* and other cases dealing with kindred questions, he found for the plaintiff for £350, the amount advanced, with 5 per cent. interest from the date of the advance to the date of payment, together with the costs of the action.

Commenting on the case the *Economist* says: "With this decision no reasonable person will find fault. The main purpose for which an expert is employed to make a valuation is to protect the intending mortgagee from loss, by ascertaining from all the surrounding circumstances the amount which might be safely advanced, and though some of the judges have made a distinction between fraudulent and wilful misrepresentations and misrepresentations due to culpable negligence, the result, so

far as it affects the mortgagee, is precisely the same. It is to be hoped that the salutary lesson taught by this decision will not be lost upon those who undertake the responsible duties of valuers of property."

COMMERCIAL ETHICS.

The nature of our business habits, and the code of commercial ethics which prevails among us is not a pleasant subject for reflection, but it is one which needs to be kept before the minds of the community. Sensible words were spoken by Mr. Justice Meredith in reply to an application to discharge from custody W. F. Ross, a Toronto jeweller, who was arrested about a year ago upon a *capias* for defrauding his creditors. Since then the charges of fraud have been abandoned, but he has been held as a debtor. In ordering his release the judge said: "If creditors would be a little more careful in giving credit and a little less anxious to shove off their goods, business honesty would not be at as low an ebb. In this, as well as many similar cases, the creditors are not entirely blameless. Ross launched into a business which he was incapable of managing; credit was easy; he bought lavishly and failed; arrest and charges of fraud were the result. Prior to his failure, he hoped to gain fortune, and to aid him he launched into real estate speculation. Speculating in Toronto real estate has its disadvantages, and where one man succeeds twelve men fail. Ross was one of the unfortunate dozen. I do not think he was entirely to blame. He was one of those who hope and expect without reason or experience, so I discharge him."

Another commentary upon trade practices in Canada we find in a recent issue of the *Toronto World*, to a representative of which paper a bankrupt merchant said:

"The greatest surprise in connection with my failure was the number of merchants who pride themselves on their business integrity—who came around on the eve of the assignment begging to be 'squared' to the detriment of their fellow creditors."

"That is nothing," declared the manager of a large dry goods house. "Look at the number of commission agents who sell the small and weak houses and then deny it point blank."

"I can tell you a case that will fit in here," said a wholesale woollen man. "Take that agent that sells for an Eastern mill. His people were among the largest creditors in an estate that is now being wound up. Yet that same agent gave me his word as a man of honor that he never sold these people."

What must be the pressure that impels an importer or an agent to sell a man whom he knows he ought not to sell, and then to lie about it? No matter whether the pressure arise from over-importation or over-production, or from the struggle for existence of the smaller operator with the larger, it is demoralizing.

—The directors of the Bank of Nova Scotia have decided to increase the capital stock to \$1,500,000, and it will be offered to shareholders at 150.

TORONTO TRADE FIGURES.

In our comparison of the figures of imports and exports made a year ago, it was found, unexpectedly perhaps, that both were larger than in the corresponding month of 1889. This year the reverse is the case, imports showing a decrease of \$181,866 as compared with February of last year, and exports \$112,973 of a decrease. More than \$161,000 of this falling off in imports is seen to be in the item of dry goods, not an undesirable feature. Iron and steel, leather and fruit also show lessened importation, while that of books and pamphlets, coal, furs, and grain is somewhat larger.

IMPORTS.

	Feb. '91.	Feb. '90.
Cotton goods	\$168,027	\$215,441
Fancy goods	70,806	87,144
Hats and bonnets	80,850	63,497
Silk goods	102,249	144,215
Woollen goods	348,089	421,623
Total dry goods.....	\$770,021	\$931,920

Books and pamphlets	\$ 26,450	\$14,131
Coal, bituminous	31,727	28,184
Drugs and medicines	16,541	17,677
Earthen and chinaware	9,210	11,500
Fruit, green and dried	16,738	30,375
Furs	26,284	498
Glass and glassware	16,819	13,565
Grain of all kinds	30,875	21,716
Iron and steel goods	86,591	102,687
Jewellery and watches	33,592	11,234
Leather goods	16,299	30,180
Musical instruments	9,658	9,919
Paints and colors	2,824	5,997
Paper goods	33,149	28,078
Wood goods	17,566	19,491

All the items under the heading of exports are smaller in amount than for the like month of 1890. We append the usual comparison:

EXPORTS.

	Feb. '91.	Feb. '90.
Produce of		
The Forest	\$ 4,643	\$ 8,253
Animals, etc.	40,704	79,031
The Field	96,134	156,144
Manufactures	59,601	60,206
Miscellaneous	267
Total Canadian products..	\$201,091	\$303,901

—Under the heading of "Progress in 1890," the forty-sixth annual statement of the New York Life Insurance Company shows a succession of increases which must attract attention. They form, as it were, a series of stepping stones, the first being the increase of \$1,158,422 in benefits to policy-holders. Premiums come next, 2,642,288; then income, \$2,994,833; insurance written, nearly 8½ millions of an increase; assets, \$10,884,209, and over all \$73,736,756 representing the increase, for the year, in insurance in force. When one looks at the foundation stone, assets, \$115,947,809, which exceed the liabilities by \$14,898,450, then is realized the solidity of a company whose total income last year (\$32,158,100) was about one and three-quarter times greater than the income of the State of New York. The total sum paid to policy-holders in 1890 was \$13,279,544, and the total insurance in force on 1st January last was \$569,838,726.

—From what has been stated by the cashier in his annual report to the shareholders of La Banque du Peuple, it will not be a surprise to learn that there has been a reduction in the net earnings of the bank during the past year. This is not necessarily any indication of a falling off in the volume of