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LOSSES TO HOME DEPOSITORS COULD HAVE BEEN AVOIDED BY ACTION OF GOVERNMENT

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**Banking and Commerce
Committee Reports
To the House.**

NO LEGAL CLAIM

**Could Have Effected An
Amalgamation Or
Liquidation.**

"Your committee consider that the facts brought out in the interim report submitted by Chief Justice McKeown and the evidence therein referred to establish that the depositors of the Home Bank have a moral claim in equity for compensation by the country on account of any loss they may suffer by reason of the failure of the Home Bank."

This is the concluding paragraph of the report made to the House of Commons yesterday afternoon by the Banking and Commerce committee in regard to the claim of the Home Bank depositors for reimbursement.

The report opens by quoting the reference to the committee of this question by the House of Commons and the reference of Justice McKeown's interim report. It then continues: "Your committee consider that the facts therein brought out and the evidence therein referred to clearly establish that the depositors of the Home Bank have no claim under the law of the land for compensation by the country on account of any loss they may suffer by reason of the failure of the Home Bank."

What Could Have Been Done.

"But your committee are also of the opinion that, in view of the representations made to the Department of Finance in the years 1916 and 1918, the Government of the time could have made in 1916 and in 1918 an effective audit under

section 56A of the Bank Act and, if an effective audit or thorough investigation into the bank's affairs had been made it would have resulted:

(1) In the immediate liquidation of the bank, or,

(2) Its amalgamation with another bank, and that the effect would have been no loss to the depositors in 1916 or 1918.

Your committee have studied the evidence given before the Royal Commission by Sir Thomas White, who was then Minister of Finance, particularly his statements: 'I should never think of putting in a special auditor in a bank and taking expenses, especially at a time like this, of closing the bank,' (page 10); and, further:

'Under no circumstances would I have allowed a bank to fail during the period in question. I had many difficult and dangerous financial situations to deal with during war. At its outbreak in view of the panic which prevailed, the Government, at my instance placed behind the banks of Canada a public assurance that it would loan them such sums as they might require to meet the conditions of war, and would take all the steps necessary to safeguard the financial situation during continuance,' (page 359); and further: 'The action I took was in discretion; in exercising his discretion a Minister must have regard for conditions, because conditions have a direct bearing upon the consequences attendant on his action to the bank and the general nation. If you make a mistake in putting in an auditor, in peace the consequences may be a run producing little effect upon the bank; if in war time, you may bring down the bank, in addition, you may cause an unspeakable calamity to the country.' (Page 743.)

Expect Lively Debate.

"Your committee is not called upon to question the manner in which Sir Thomas White made use of the powers given to him, or whether he exercised his discretion correctly or otherwise."

There was a two hour discussion in the committee on this report and it is understood that there will be

a lively debate upon it in the House.

Chief Justice McKeown, of New Brunswick, acted as royal commissioner in investigating the failure of the Home Bank. In his report he made no specific recommendations for the reimbursement of depositors, but found that such representations were made to the Government in 1916 and 1918 as would have justified the then Minister of Finance Sir Thomas White, in ordering an investigating of the bank.

It was largely on the ground that no Government audit was ordered at the time these representations were made that depositors based their claim for reimbursement from the public funds.

Sir Thomas White took the ground that to have ordered a Government audit during wartime might have caused a run bringing down the bank and causing calamity in the country.

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