

Vancouver Province April 24/24

COLLAPSE OF BANK FEARED IN 1916

Minister of Finance Was
Informed of Situation
By Lash.

Three Times Paid-up Capital
Locked Up In Four
Accounts.

Absolute Necessity of Independent
Audit Then
Recognized.

Letter Written By Bank's
Counsel In 1916 Causes
Sensation.

TORONTO, April 24.—G. T. Clarkson, liquidator of the Home Bank of Canada, stated in an interview today that the next dividend to depositors in the defunct institution would not be paid for two years. The first and only dividend of 25 per cent. was distributed shortly before Christmas.

OTTAWA, April 24.—On the orders of the day being called in the House this afternoon, Paul Mercier, Montreal, presented a petition from the Home Bank depositors asking that they be reimbursed in full.

OTTAWA, April 24.—"The amount locked up indefinitely in four large accounts is probably three times the paid up capital, and more than half the total deposits, and if anything should take place which would cause a comparatively small percentage of the depositors to ask for their money, I do not see how the bank could, without outside assistance, continue with open doors."

The above is an extract from a letter written by Z. A. Lash, counsel for the Home Bank, to James Fisher, K.C., of Winnipeg, representing the three western directors of that institution on February 28, 1916. The letter was read by T. W. Lee, counsel for the depositors when their investigation by the royal commission into the failure of the defunct institution was resumed here this morning.

FEARED CRASH IN 1916.

"I told Sir Thomas White, on February 26, that my main object since I learned in outline what the bank's position was, has been to bring about a position which, if the worst happened, would result in liquidation with open doors," the letter continues. "This can only be brought about by the assistance of other banks."

The production of the letter was the feature of a brief session of the royal commission this morning, in the course of which it was pointed out by counsel for the depositors that if the trial of Home Bank directors was proceeded with in Toronto on next Monday, their evidence could not be taken by the commission at present.

Commissioner McKeown informed counsel that it was desired to proceed as rapidly as possible in order that the material gathered should be available for the banking and commerce committee of Parliament. Sir Thomas White appeared for examination this afternoon.

CONFERRED WITH MINISTER.

Further portions of Mr. Lash's letter were as follows:

"Among other things I told Sir Thomas White that we were endeavoring to perfect certain securities which

we were taking from Sir Henry Pellett and that it was very important that nothing should occur to prevent this being completed. He understood, he said, and he would endeavor to avoid precipitating matters as best he could.

"I am writing Sir Thomas today and telling him that I hope that Pellett's securities will be completed this week and that as soon as Mr. Haney returns I will ask to have a meeting of the board called in order that I may explain the whole position, including the substance of your letters to Sir Thomas White, and ask for definite instructions upon the all-important matter of having a thorough examination of the bank's position made by an independent, competent person not connected with the present management.

SITUATION MOST SERIOUS.

"The more I consider the bank's position, even assuming that every account will ultimately be collected in full, the more doubtful I feel as to the possibility of the bank continuing in business.

"I want definite instructions from the board as to how far I may go in this direction in consultation with Sir Thomas, for, he is now an essential element in the situation which can not be disregarded. He told me, and I could not dispute the correctness of his position, that after you, on behalf of the Winnipeg directors, had submitted to him information which, to say the least, was very disturbing, the responsibility was thrown on him, which he could not avoid, and which would not be discharged because those who had invited his intervention might desire him to withhold further action. The statements relating to the three accounts about which he asked for further information, were sent to him on the 22nd or 23rd. Faithfully yours. (Signed) Z. A. Lash."

052531

MEICHEL PAPERS, Series 2 (M.G. 24, I, Volume 41)

PUBLIC ARCHIVES
ARCHIVES PUBLIQUES
CANADA