

bank. It turns out from the evidence that in the months of May and December, 1876, 1877 and 1878, the directors declared dividends semi-annually of 3 and $3\frac{1}{2}$ per cent. on the paid up capital, and signed at the same time declarations giving brilliant accounts of the bank. All these statements were made public in the Canada Official Gazette. At the time many accounts were overdrawn, notably that of Ascher & Co., through whom the bank eventually lost over half a million. Ascher's overdraft continued to grow from Dec. 19, 1876, when it was \$17,487, to June 20, 1878, when it reached \$85,000, and on Nov. 10, 1878, it amounted to \$153,529. Besides this account many others were overdrawn, amounting in all to \$1,107,000. For this large sum the bank had no security whatever except the demand notes of the parties who had overdrawn, and in the statements which the directors furnished to the Government they took these bonds to represent so much cash. All these facts were notorious, and could have been verified at any moment by any one of the directors, as all had access to the books of the bank. This system of overdrafts, whereby the bank accepted the demand notes of its customer for the amount it gave him, had a double result. It allowed its customers to pay any notes which might be under discount in the bank, and at the same time levelled the gross receipts of the bank, and the books of the latter would show a larger sum of money than was actually in cash on hand.

During the last two inspections of the Bank the cash of the receiving teller Rennie was never counted. And at these two last inspections the two directors who assisted in making them noticed these irregularities, but they took no heed. When defendant Rankin was examined he pretended to know nothing, and said that he had accepted the statements of Mr. Rennie as being truthful beyond question of doubt. Furthermore, that he considered he was merely there in order to give opinions on the desirability of proposed loans. He had never examined the books, and did not think it his duty to do so. He claimed that he was deceived entirely by Rennie, from whom he had acquired any information that he had of the affairs of the bank. This is not a valid answer, nor is it tenable at law. Rankin might have acquired all the information he desired by looking up the liability ledger. It appears, moreover, from the evidence that Rennie never gave any discounts without the knowledge of the directors, and Rankin as a director is responsible for the bad management both