claim of the bank to appropriate the deposit made by the executors for paying the debt of the deceased. This decision was reversed on appeal. It was ruled that when their customer died who owed the bank money, they were in no different position from the other unsecured creditors, and were not by any proceeding or by any circumstances whatever entitled to a preference. The executors had to collect what was due to the estate, to place the funds in safe keeping, and to distribute them equally amongst the creditors. The executor was bound to regard the rights of all the creditors; he had no power to make a preference or to sanction one The deposit was therefore replaced to the credit of the executors, to be distributed by them amongst the general body of the deceased's creditors.

LOANS ON MANUFACTURED GOODS.

A LAW CASE AND ITS LESSON.

Clause 74 of the Bank Act has been a fruitful source of trouble between bankers and customers. It is a clause which is open to very grave objection as being a recognition of a class of business which bankers might avoid without any disadvantage. The clause reads: "The bank may lend money to any person engaged in business as a wholesale manufacturer of any goods, wares and merchandise upon the security of the goods, wares and merchandise manufactured by him or procured for such manufacture" The security to be given is set forth in Schedule C. of the Act, which sets forth that, the said goods, wares and merchandise assigned as security for an advance are in the borrower's possession. Thus money is loaned on a pledge over which the lender has no control, a transaction only to be entered upon with extreme caution. The next Section of the Bank Act prohibits a bank acquiring such security as the above—security of a nominal character so long as the goods advanced upon are in the borrower's possession—unless the bill, note or debt so secured is negotiated or contracted at the time of the acquisition thereof by the bank, or upon a written promise or agreement that such security would be given to the bank. Provision is, however, made that a renewal of the note, bill or debt so secured may be renewed without affecting such security. What is meant by a "debt" being renewed is not stated as it should have been. One of the cases of dispute which these clauses of the Bank Act have given rise to led to an action against the Bank of Hamilton to have such an assignment of goods as is named above given to the bank as security for a loan, set aside in the general interest of the borrower's creditors. A sketch of the case appears in the last *Bankers' Association Journal*.

The bank having advanced $4,000 to one Zœllner, took an assignment of his goods under Clause 74 of the Bank Act. This was found invalid for a reason not clearly stated, as the cause given, viz., "the renewal of the note," certainly did not affect the security, as the act of renewal is expressly declared in Clause 75 to have no effect on the security. Whatever the cause, a new arrangement was made with the customer, a new note being given by him, and a fresh assignment made. This arrangement was too complicated to work well, as bankers have found out in too many instances. The agreement was that a special or No. 2 account was to be opened, to which should be credited the proceeds of bills and notes of Zœllner's customers discounted or collected from time to time, and to which his own notes discounted were to be charged at maturity, it being further stipulated that the balance in No. 1 account should not be drawn upon by Zœllner except to such an extent as, by the discount of his customers' paper, or otherwise, credits should be made in No. 2 account towards meeting the old notes at maturity. Thus while the bank was apparently making advances largely in excess of $4,000, Zœllner's net liability never exceeded that sum. A variety of transactions arose under this arrangement too tedious to be narrated, and which must have been worse than tedious for the manager to conduct and watch. Chief Justice Meredith, reviewing these transactions in which new notes, renewals, new assignments were mixed up in what must have been to him a very puzzling tangle, intimated that certain of them were mere book-keeping entries having no foundation to support them. He asked, "Is it possible to come to any other conclusion than they were clothed with the form which would give them validity, while in substance and in fact they were intended to accomplish that which the Bank Act forbade being done?" What is forbidden is acquiring security on goods at a time when no bill, note, or debt is being or has been negotiated. "The policy of the Act is," said the Chief Justice, "to permit a bank to take security by means of such assignments for an obligation incurred at the time the security is given and for that only." The object we may add is, to prevent debtors giving preferential claims to cover their bank accounts, and to make such securities on goods exclusively of service in maintaining active and legitimate manufacturing enterprises. The assignments held by the bank were set aside as having not been given simultaneously with the loans. The case, besides enforcing strict observance of the Bank Act, conveys a warning to our younger bankers to avoid duplicating and triplicating accounts conducted under some ingenious arrangement, the wording of which requires constant watching, and which almost invariably leads to complication and disputes. A loan on moveable property which is left in possession of the borrower involves too great a risk to be made without some very serious cause. Such goods are peculiarly liable to disappear mysteriously. We have even known a boat load of pig iron to vanish from a canal wharf in the next night after it was given to a bank as a security for a loan, without the knowledge of any person—if all who were questioned spoke the truth. An old banker invited a customer, who offered personal security, to step into the vault, and see how he would like it, for, said the banker, "I make it a rule to keep all my securities safely locked up where I can find them any moment." Clause 74 of the Bank Act errs in the opposite direction.