

Hon. Mr. McGUIRE: The whole object of the Farmers Creditors' Arrangement Act was entirely different from the Bankruptcy Act.

Mr. REILLEY: Entirely.

Hon. Mr. McGUIRE: I think the proposed arrangement in this bill sounds very good. The debtor must get some consideration; the creditors are not the only ones to be taken into account.

Hon. Mr. EULER: The composition arrangement under this bill is a protection to the creditors themselves by reason of the fact that the trustee can make the same investigation as can be made under bankruptcy proceedings. I do not see why we should not give the debtor an opportunity to escape bankruptcy and so save depreciation of his assets, so long as the creditors are justly protected.

Hon. Mr. MORAUD: This is altogether in favour of the debtor.

Mr. REILLEY: I would not go that far, senator. I have had a lot of experience doing nothing but bankruptcy work for twenty-four years, and after all the majority of people are honest.

Hon. Mr. MORAUD: There is no doubt of that.

Mr. REILLEY: Many debtors may get into financial embarrassment and want to make an honourable proposal for the benefit of themselves and their creditors as well.

Hon. Mr. EULER: Though the debtor may be dishonest, the trustee is supposed to be honest and he protects the creditors.

Mr. REILLEY: In section 11 I have put it this way:—

(2) Proceedings for a proposal by a debtor shall be commenced before bankruptcy as filing with a licensed trustee, and after bankruptcy by filing with the trustee of the estate,

- (a) a copy of the proposal in writing embodying the terms of the proposed composition, extension or scheme of arrangement, and setting out the particulars of any securities or sureties proposed, signed by the debtor and the proposed sureties, if any;
- (b) a statement, verified by affidavit, showing the cause of the debtor's financial difficulties, the reason for the proposal, and the grounds of the debtor's belief that the proposal is fair and reasonable and can be carried out.

Hon. Mr. HAIG: The debtor had to do the same thing under the Farmers Creditors' Arrangement Act. The difficulty is the valuation of the assets. Under your proposal the debtor says he owns a store in the village and a farm out in the country. He has so much stock on the farm and so much goods in the store, and he puts his valuation on those. The question arises right there, whether his valuation is proper. Who checks that valuation?

Mr. REILLEY: The trustee.

Hon. Mr. EULER: Has not the trustee power to go in and examine the debtor under oath?

Hon. Mr. ASELTINE: Only the creditors can decide whether there shall be an examination.

Mr. REILLY: Subsection 4 of section 11 deals with the duties of the trustees:—

(4) The trustee shall make or cause to be made such an appraisal and investigation of the affairs and property of the debtor as to enable him to estimate with reasonable accuracy the financial situation of the debtor and the cause of the debtor's financial difficulties or insolvency, and report the result thereof to the meeting of the creditors. A copy of the report shall as soon as completed be mailed to the Superintendent.