

HON. MR. JUSTICE LATCHFORD:—That the \$1,200 was received by the company for Hughes, is undoubted. It was, with the \$800 in question, obtained by H. E. Vanderberg from the boy Crosby, by gross and unconscionable fraud. To hold Hughes entitled to the \$1,200 would be equivalent to determining that he could rightly profit by Vanderberg's wrongful—and, as I regard it, criminal—course in plundering young Crosby.

The circumstances under which the \$2,000 was obtained by Vanderberg are so extraordinary that I think the evidence taken before the Master should be submitted to the Crown Officers charged with the administration of the criminal law; and I am directing the Registrar accordingly.

The relation of principal and agent did not, as the Master has rightly found, at any time exist between Crosby and Vanderberg, in regard to the purchase of the worthless shares of Hughes. Vanderberg was no doubt instructed by Hughes to sell his stock, and did sell it. Vanderberg was the company, as the Master puts it; meaning, I assume, that he conducted all the affairs of the company; the board of directors, of which Hughes was one, leaving all matters in Vanderberg's hands. Vanderberg induced Crosby to make the cheque for \$2,000, which Crosby had obtained from his widowed mother, payable, not to Hughes, but to the company, which was at the time in a moribund condition. The company had the benefit of \$1,200 out of the \$2,000, only \$800 being handed over to Hughes; but the company was not entitled either to the \$800 or to the \$1,200; it was simply made a conduit for the money between Crosby and Hughes, and part of the money remained with the company; a part only—the \$800—passing on to Hughes.

Crosby has chosen to regard the company as his debtor, not only to the extent of the \$1,200 of his money, which it obtained, but also as to the \$800 which Vanderberg passed on to Hughes in part payment for his shares.

The liquidator has apparently not contested Crosby's claim. The Master in fact has allowed it, and the liquidator has not appealed upon the point. Hughes is not entitled to claim the \$1,200, which the company received through his agent's fraud. He is, moreover, in my opinion, liable for Vanderberg's fraud, whether Vanderberg was acting for his own benefit or not. Dicta to the contra were recently expressly dissented from in the House of Lords. *Lloyd v. Grace & Co.* (1912), 28 T. L. R. 547, reversing the decision