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**FRAUDULENT FAILURES.**

There is scarcely a business man who has not had personal experience with unscrupulous debtors who have deceived their creditors in an aggravated manner previous to failing, and have then secured a settlement by which they get more money than they had when they started business. Wholesale merchants have learned by bitter experience that the cus-

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tom of accepting the first offer of an embarrassed debtor has become a great evil; ever and anon the creditors of some remote dealer in the interior are called together to consider the fraudulent offer of settlement based upon the statement of affairs, which, if investigated, would often prove inaccurate and untruthful. Instances have been known where goods have been obtained under false pretences for a long time previous to failure; such buyers usually buy on credit at high prices and sell for cash at less than cost. The creditors are scattered all over the country, most of them deeming it unwise to throw good money after bad in attempting to bring the debtor to justice, and too often leave the matter to the care and judgment of the largest creditor; hence, for the want of concerted action, the debtor escapes, and the neglect of the creditors bears fruit in other failures under similar circumstances in the same branch of trade. Thus emboldened, the number of unscrupulous debtors is only increased by the policy usually pursued by creditors. A recent case in point comes to mind: A country merchant who, in former years, frequently boasted of his honesty and integrity, came to Toronto to see his creditors; he was heard to say that he was about to make a proposition, which if anyone had predicted it a year or two before he would have knocked them down. On meeting his creditors he boldly stated that he had in his pocket cash amounting to a little over half the total of his liabilities, and if the creditors were prepared to accept his offer of compromise they would get the money, but if not, he proposed to transfer it to his wife. Of course, his total assets, including real estate, stock and book debts, amounted to considerably more than his liabilities; but his creditors were so astounded that at first they were somewhat baffled, and were still more perplexed when they took legal advice and learned that there was no law in force to meet their case. By the aid of a private detective and sheer courage, together with the circumstance that one of the creditors held a power of attorney from the debtor, they forced him to assign his estate and hand over the cash to the assignee. Thus a fairly equitable settlement was reached in this case, and a premeditated attempt at fraud was nipped in the bud; but the most important phase in this case seems to be the absence of any adequate law

under which the creditors might have sought redress. If our legislatures do not enact laws for the protection of the mercantile public, creditors will be powerless to punish fraudulent debtors.

We understand that this lamentable state of affairs will be brought before the attention of the Attorney General of Ontario; but meanwhile concerted action should be taken by honorable merchants in all branches of trade to check the growing evil of fraudulent failures and fraudulent settlements with creditors. In some parts of the United States there are trade associations, who work through what they call their "Bureau of debts and debtors;" when a failure occurs, the secretary of the association calls a meeting of the creditors without delay, an efficient working committee is selected by the meeting and instructed to thoroughly investigate the affairs of the debtors. The moral effect of this action undoubtedly results in there being few failures and more equitable settlements. In Canada, where no bureau of debts and debtors or other organization exists in many branches of trade, creditors might advantageously imitate the methods pursued across the line. On learning of a failure, an immediate meeting of all parties concerned should be called, since delays are always profitable to the fraudulent debtor. The affairs of the firm failing should then be rigidly investigated by a committee of the creditors, or by a reliable attorney in their behalf, and if crooked motives and actions are discovered, every effort should be made to punish to the fullest extent the fraudulent debtor. We do not wish to be understood as lacking sympathy for a person who, after honestly endeavoring to pay dollar for dollar, is compelled by hostile circumstances (possibly by the dishonesty of some concern of which he was a creditor) to ask a settlement from his creditors at a percentage of his indebtedness. But it is for the interest of honest debtors, no less than of creditors, that fraudulent failures should be rigidly investigated and their perpetrators punished. The evil effect of a failure extends also to the merchants and manufacturers who are obliged to endure the competition of bankrupt goods. It is difficult for an honest merchant who pays his debts in full to make prices low enough to compete with goods which an unscrupulous rival has secured by compromising with his creditors by twenty-five cents on the dollar.—*The Merchant.*