

to pay $2\frac{1}{2}$ more on the reduced capital. But as approval of the by-law by the Treasury Board, at Ottawa, cannot well be obtained before the 15th of August, the dividend is to be paid, under the terms of the Bank Act, one month thereafter. The sum of \$500,000 has been charged to a special profit and loss account, and applied in writing off all bad, and making provision for doubtful debts, which is considered ample. The deposits, we observe, have not greatly declined, the difference being only \$880,000 between the present date and that of a year ago; circulation is nearly as great, and current loans and discounts practically the same, while a distinct improvement must be presumed in the character of the assets resulting from the steps outlined previously. It is to be hoped that the bank may now go on steadily and earn reasonable dividends on its reduced capital.

CONCERNING CANADIAN LOANS.

In the last issue of the Edinburgh monthly, *Banking and Insurance*, appears an article headed "Canadian Loans." This begins by quoting the *Investors' Review*, a London monthly that has been hammering away at Canada and Canadian credit for years—reaching the conclusion, in its June issue, that "Canada was never so poor as it is to-day"—and closes by quoting THE MONETARY TIMES and the New York *Bankers' Magazine* as to the number of failures in this country and the States. The article is in the main cautionary as to investments in Canada of English and Scotch capital, and the Edinburgh journal, which is usually well informed and prudently written, is quite right to urge upon its readers due care in their investments. But we should like to suggest that it is hardly safe in accepting as gospel the distorted views and violent abuse of things Canadian indulged in by the *Investors' Review*. Nor does the latter appear able to get accurate information even by sending to this country. In the April issue was a letter, dated from Montreal, but bearing strong marks of having been written in Toronto, which, while saying much that is true, makes some sweetened statements of alleged fact that cause people in financial circles here to smile.

But our principal reason for desiring to refer to-day to the article in *Banking and Insurance* is to show again, as we have already shown, how real is the danger that people and the press of the old country may confound the building and loan associations (springing up in Ontario and Manitoba and advertising "big profits" to those who will become building society investors in them) with the long-established mortgage loan companies. We have months ago expressed the apprehension that if the manager of one of these concerns, with "a million" on paper but seven thousand paid up, ran away, or if something happened to tie up its funds in injudicious loans, and if some enterprising newspaper reporter got hold of the item, he might do immense harm by exploiting it. "Loan company in trouble!" he would be apt to say in his despatch. Then he would name the company and quote its *nominal* capital, and the flaring figures would go abroad in the Dominion. Some literary ghoul at Ottawa, representing a New York paper, would like nothing better than to send such an item to his American employer. Nothing more natural than that it should be cabled across as "a big item," and great would be the scare of the British investors, who, however, did not lose a shilling by the local fiasco.

These small building societies of the kind we describe, and which should be distinguished from the regular loan companies, *do not borrow abroad*; they have issued no debentures; they are forbidden by law, as the regular loan

companies are, to take deposits until they have \$200,000 paid-up capital each.

The article professes to quote from THE MONETARY TIMES—though we do not recollect using the language so quoted, and on reference to our files are unable to find the passage—that "there is a decrease in the business of the mortgage loan companies; but there are growing up alongside them numerous building and loan associations, *with elaborate tables of figures, showing how investors may receive immense returns from interest receipts, whilst borrowers may obtain advances without having to pay any interest.*" These last twenty-six words, which, if we used them at all, applied to the building and loan associations of yesterday, our contemporary italicizes, and upon them founds a warning apparently against *all* Canadian loan companies, which, it is hinted, are likely to be "borrowers without paying any interest." We think the Edinburgh journal has been thrown into a condition of needless alarm through a misapprehension, assisted by the pessimistic warnings of his London contemporary. *Banking and Insurance* is able to distinguish between a mortgage loan company and a land speculating company, and can easily understand how the first may be prompt and quite safe at a time when the latter can pay neither interest nor debenture. We should like him to inform himself, also, more fully, as to the distinction between (A) the regular and long established permanent companies of Canada, which borrow on debenture in London, Edinburgh and Aberdeen to lend on farm and town property in Ontario or Manitoba, and (B) the terminating building societies of recent founding, which *do not borrow* on debenture, but lend shareholders' money at a handsome premium to assist people, say, in building houses in the country or in new towns. The former are restricted by law in their borrowing, 49 Vic., chap. 104, which prescribes that loan companies cannot borrow more than three times their paid-up and unimpaired capital; nor can they borrow to exceed the amount of principal remaining unpaid on the mortgages they hold.

One point there is in the article which seems to us well taken. Referring to the agents "of position and character" in Britain of Canadian mortgage loan companies, who "induce lenders to invest in their debentures," and, concerning whom *Banking and Insurance* doubts "whether these agents do more than receive and remit the money, pocket their commission and hand over the debenture when it is issued," what more, we stop to wonder, is it expected that an agent should do? But the article goes on, and this is what we desire to emphasize: "It appears to us to be a significant fact that a few weeks ago, at the annual meeting of one of these loan companies in Canada, the chairman specially referred to the company's indebtedness to its Edinburgh agents." That is to say, the company was under a debt of gratitude, we presume, to its Edinburgh agent for getting it cheap money. We have long thought this sort of complimentary speech quite uncalled for as a rule, though we do not see in it the sinister "significance" our contemporary apparently does. These Scottish or English agents are paid for what they do in placing debentures, and it appears are not ill paid. Where then is the need of such repeated and even exaggerated references as we sometimes see in loan company reports or speeches to the "valuable services," the "continued efforts," the "efficient services in procuring money at low rates" of these agents. It is a custom more honored in the breach than in the observance. Such thanks might be privately conveyed.

Upon the whole, we are not sorry to see a word of