ONE MAN COMPANIES.

The case of Salomon v. A. Salomon and Co., Limited, finally decided in the House of Lords on Monday, is certainly the most important company case that has been before the Courts for some time. The facts are perfectly simple. Mr. Aron Salomon was the proprietor of a certain business, the profits of which were between £1,000 and £2,000 a year. In 1892 he transferred this business to a limited liability company, of which he, his wife, daughter, and four sons were the sole shareholders. The company issued certain debentures to Mr. Salomon, who afterwards transferred a part of them to a Mr. Broderip as security for a loan. After trading for some time, the company became insolvent, and was wound up; and it was then found that there was absolutely nothing for the unsecured creditors, whose claims amounted to over £7,000. The liquidator sought to make Mr Salomon personally liable for these debts on the ground that the company was nothing better than an *alias*, enabling him to carry on business and at the same time evade proper liability to his creditors. Mr. Justice Vaughan Williams adopted this view, which was subsequently upheld by the Court of Appeal. Lord Justice Lopes pointed out that "the Act contemplated the incorporation of seven independent *bona-fide* members, who had a mind and a will of their own, and were not the mere puppets of an individual who, adopting the machinery of the Act, carried on his old business in the same way as before, when he was a sole trader." Lord Justice Kay expressed the same view when he said that "the statutes were intended to allow seven or more persons *bona-fide* associated for the purpose of trade to limit their liability under certain conditions and to become a corporation. But they were not intended to legalize a pretended association for the purpose of enabling an individual to carry on his own business with limited liability in the name of a joint stock company." We must confess that these views regarding the intention expressed in the Companies Acts strike us as perfectly sound. But the House of Lords has now declared them to be unsound, and has reversed the decision founded upon them.

Let us examine the grounds upon which the House of Lords has acted. They are set forth very clearly in the opening words of the Lord Chancellor's judgment: "The important question in this case, which I am not certain is the only question," Lord Halsbury said, "is whether the respondent company was a company at all; whether, in truth, that artificial creation of the Legislature had been validly constituted in this instance; and, in order to determine that question, it is necessary to look at what the statute itself has determined in that respect. I have no right to add to the requirements of the statute, nor to take from the requirements thus enacted. The sole guide must be the statute itself." That is to say, Lord Halsbury refused to follow the learned Judges of the Court of Appeal in their inquiry as to the "intent and purpose" of the law, but would only consider its actual stipulations. And in the present case they were found to have been completely complied with. No formality had been omitted by Mr. Salomon in bringing out the company and issuing the debentures. Lord Justice Lindley had said that "Mr. Salomon's scheme is a device to defraud creditors," but the House of Lords has not only expressly relieved Mr. Salomon of the imputation thus cast upon him, but has expressly declared (which is of infinitely more importance to the business world) that these one-man companies are not to be regarded as "devices to defraud creditors," unless proved to be so by extraneous evidence. The law says that there must be seven subscribers to the memorandum of association, but does not say that they are to have any particular character, or hold more than one share each in the company. Mr. Salomon and his six relatives fully complied with the requirements of the statute, and consequently "A. Salomon and Co., Limited," was a properly constituted company. Its capacity to raise money on debentures was duly set forth in the articles of association, so that there was nothing irregular in the subsequent transaction between Mr. Salomon, the managing director of the company, and Mr. Salomon the debenture-holder

What is likely to be the net result of this important and far-reaching decision of the House of Lords? In the first place, it will probably give a new vitality to one man company enterprises. Any trader can now unhesitatingly turn himself into a company with the aid of six relatives, friends, or clerks, and thenceforth he can run into debt without fear of finding himself in the Bankruptcy Court, however bankrupt he may become. If he has empowered himself in the articles of association to issue debentures, he can raise money in this way either by borrowing from himself or from obliging relatives, whose security, of course, can be made perfectly good. For should a smash come he will know that the liquidator will be powerless to disturb the nice little arrangement he has made, even though, in the words of Lord Justice Lindley, "the object of the whole arrangement is to do the very thing which the Legislature intended not to be done." Is this a state of things which ought to be allowed to continue? We hold an opinion strongly in the negative. However innocent Mr. Salomon's scheme was, there is no gainsaying the fact that many one man companies are brought into existence solely as devices to easily and safely defraud creditors. This being so, it seems to us the plain duty of the Legislature to amend the law at the earliest possible opportunity. It has been suggested that dummy shareholders should no longer be permitted to figure in memoranda of association; but the Departmental Committee which considered the question last year came to the conclusion that it was not necessary to amend the law as to the status of subscribers to a memorandum. But it proposed to empower the Court, when satisfied that a company had been formed or was carried on with the intent, or in such manner as to defraud, defeat, or delay creditors, to make an order for winding up, and even to declare the liability of one or more of the members to be unlimited. The *Times*, in its comment on the Salomon case, cautiously observes that "some such measure, perilous as interference of this kind seems, may be required." We fail to see why it should be perilous to take any legitimate step to protect creditors from fraud; and we are certainly of opinion not only that the measure in question may be required, but that it has been demonstrated to be urgently needed.

The decision of the House of Lords again raises the important question of the registration of debentures. One of the judges in the Court of Appeal expressed the opinion that creditors never think of examining the register of debentures of a company with which they have dealings, and, referring to us, Lord Watson said that "a creditor who will not take the trouble to use the means which the statute provides for enabling him to protect himself, must bear the consequences of his own negligence." —*Drapers' Record*.

A QUEBEC FUR MANUFACTORY.

The receipt, a fortnight ago, of an illustrated catalogue of Canadian-made fur garments, gloves, gauntlets, caps and muffs, the production of Z Paquet, of Quebec, induced us to make further enquiry about the establishment, pictures of whose extensive factory at Hare Point, as well as their three, four, and six-story warehouses on St. Joseph street, Quebec, appeared in the cat a logue. Accordingly we wrote to that city for a description of the business of a firm which could turn out such handsome work, and today we are enabled to give a brief sketch of what has become an important industry.

Mr. Paquet is an exporter of Canadian skins to Europe, and an importer of raw skins from Europe, and manufactures both home and foreign furs. This establishment in Quebec, with a branch in Montreal, is the growth of years, and the reputation of his product is the result of long experience and observation.

Having had on several occasions the opportunity of visiting the most important fur markets of Europe, such as London, Paris, Leipzig, Moscow and Nijni-Novgorod, Mr. J. A. Paquet, the son of the well-known Mr. Z. Paquet, proprietor of one of the largest dry goods establishments of the Dominion, perceived with astonishment the extensive proportions that the fur industry was assuming in England, and especially in Germany. Mr. Paquet, jr., having had a long experience in the fur manufacturing, and having a large capital at his disposal, did not hesitate to establish in his country a manufacture which, in the near future, will give work to thousands of hands. The name he has given to this establishment is "The Canadian Manufacture of Furs," and some hundred thousands of dollars have been invested in the business. The venture has fortunately proved a great success in the dyeing department, as well as in the dressing department. The latest and most scientific processes have been employed in these works, and those who had the opportunity of going through the factory lately can testify that the work done in the treatment of fur skins is as perfect as anything can be, and that a better gloss, finish and quality cannot be expected than is here imparted. Mr. Paquet has imported all his skins in the raw state, thereby saving the duty, and he has succeeded besides in the development of a very important trade with the United States, principally in such skins as are not dyed by our neighbors across the lakes. His trade in that direction will in all likelihood assume very large proportions.

It is well known to merchants that for the last four or five years trade in furs, as well as other lines of expensive merchandise, has suffered from the dullness of the times. The sale of expensive fur garments, which are the luxuries indulged in by people of fashion, has decreased considerably, and only the staple goods of this line have kept in fair demand. But the profits in these are small; in fact some say are next to nothing. This condition of things applies not only to Canada, but also to the United States as well, where they are anxiously awaiting, and by this time expecting, a change for the better.

The manufacturing department of the establishment, where hundreds of hands are employed, is turning out fur goods which are well known in the Canadian market for their style, finish and quality. The latest fashions of Paris and New York are secured, season by season, and followed right up to the point of elegance, while designs of the firm's own, suited to the furs of Canada and other nations, are also found to command a good *voque* in both the United States and Canada. The works are a credit to the Dominion, and visitors to Quebec should make a point of seeing their St. Joseph street premises.

—A correspondent of a city paper gives an excellent illustration of what frugal industry can accomplish in carving out homes in the provincial wilderness. It is the story of the little settlement of Knoxford, in Carleton county, New Brunswick. Thirty years ago the first settler in this particular place, which is close to Centreville, bought land and moved there from Queens county. Others followed, the land was cleared, and now there is a stretch of seven miles of farms, well cultivated and yielding a good living for a community large enough to support two churches and two schools. The houses are comfortable and the people contented and prosperous. The correspondent adds these pithy observations: "There is plenty of land in this county that can be purchased and similar success achieved. But our young men are inclined to go west and look for gold."—*St. John Corr. Maritime Merchant.*

—Capt. Jas. Silversides, of Owen Sound, held a judgment of $414 against the widow of the late W. Christie, owner of the "Severn" and "Africa," wrecked on Georgian Bay a year ago. Before he could realize, Mrs. Christie made an assignment for the benefit of her creditors. Capt. Silversides, who had had her examined as a judgment debtor, found he could not realize the costs of the examination, and brought an action in the County Court of York against Assignee Boustead. Judge McDougall has given judgment deciding that he is entitled to these costs, and thus a precedent is established by which the costs of plaintiffs in actions are entitled to rank upon an assigned estate as a preferred claim over the claims of other creditors.—*Collingwood Bulletin.*

—Preaching in Westminster Abbey, a few weeks ago, Canon Wilberforce said some severe things about Jingoism, about patriotism that is, of too "spread-eagle" a sort, as we would say on this side of the Atlantic, the sort hat masquerades "in the alcoholized enthusiasm of the music-hall," or which has for its basis "the narrow insularity of self-conceit.' The Canon's idea of patriotism is something stronger and better than this, namely, as he expresses it: "Patriotism is not to condone your country's follies, to stir into a flame its lust of conquest, to flatter its vanity, to varnish over its sins—but bravely to denounce its false ideals, to break down its self-made idols, to introduce into its maxims a higher code, and to protest in season and out of season against its self-degradation."