

named Staden. This person had an acquaintance named Trott, also having money to invest, consulted Staden as to what securities he should purchase. Staden advised him to invest his funds in the shares of the National Discount Company, his employers. He told Trott that some shares were for sale in the office, which he undertook to secure. On receiving Trott's money Staden handed over to his friend what he represented to be a transfer of the stock purchased. Later on it turned out that the alleged transfer was a forgery, so Trott lost his cash.

To this point all seems a clear case of a rogue, a forger robbing a too confiding acquaintance. Trott, however, on discovering the fraud brought suit against the Discount Company to recover his money, his plea being that Staden, the forger, being a servant of the Company, they were responsible for his fraud. The Company's plea in defence was, that Staden had no authority to sell its shares, nor to effect a transfer of them. What had been done, the Company declared, was, the robbery by their servant of his friend. Mr. Justice Kennedy declined to accept this plea; he held that Staden was in reality the Assistant Secretary of the Company, and there was evidence from which he, the Judge, might infer that the delinquent had been held out by them as authorized to receive money for investment, just as a Receiving Teller in a bank is authorized to receive money on deposit. On this view he gave judgment in favour of the plaintiff, by which the Company was condemned to repay Trott the money out of which Staden had swindled him by a forged transfer of shares. The evidence, however, clearly points to the official alluded to being chiefly engaged in the duties of transfer clerk. This official is not, as a rule, the one to whom customers, or intending investors hand their money for deposit, or for the purchase of securities. There are, however, corporate institutions and financial firms where the duties of transfer clerk and teller are discharged by the same official. The victimised Trott might be excused being ignorant of the rules of the Discount Company, by which his rascally friend was not authorized to receive money from customers for investment. At the same time the Discount Company might equally as well be excused for leaving an opening for its transfer clerk taking a customer's money and giving in return a forged security. A London paper draws this moral from the above case: "As the law stands it would appear to be incumbent on finance houses to make it clear to their customers that those in subordinate positions have no authority to perform duties with which, as a rule, the head officials are alone entrusted." That is easily said, but how to make this "clear to customers" is a problem of some difficulty. The case will bear a good deal of thinking over.

#### VICTORIA-MONTREAL FIRE INSURANCE CO'Y.

A protracted meeting of the Directors of this company was held on Saturday last, the 8th inst., when it was decided to suspend taking new business, pending a meeting of the shareholders which has been called for January 5, 1901, and at which a full statement of the company's affairs is to be presented and its future determined. Mr. R. Cameron Grant, son of Major McGregor Grant, has been appointed manager of the company, *pro-tem*. The Messrs. Temple have ceased their connection with it and it is stated, have left Montreal.

#### AUDITORS PUNISHED.

The failure some months ago of Dumbell's Banking Company, Isle of Man, led to the prosecution of the president and manager, who are now suffering imprisonment with hard labor, which will continue for five years. At the same trial the three auditors of the bank were sentenced respectively to 18 months, 12 months and 6 months hard labor. The punishment of the auditors raises a question of considerable interest in Canada, indeed, wherever there are professional auditors. It was urged on behalf of those officials, that, in certifying as accurate certain balance sheets which included overdrafts known by them to be irrecoverable, and which, with other bad accounts, ultimately ruined Dumbell's Bank, they had been actuated by a desire to help in tiding the bank over a period of difficulty.

This intention and the fact that they had not personally profited by the frauds of the director and manager, was sought to be proved as nothing worse than a mistaken sense of duty. It was shown that, as far back as 1885, they had protested against irrecoverable overdrafts being treated in the annual balance sheet as good assets. Year after year they went on ignoring their own protest, and signing balance sheets which they knew to be most deceptive, indeed fraudulent.

Naturally, such irregularities developed, and the manager and director were emboldened to commit grave frauds by finding the auditors so lax. They held that they, as auditors, were the servants of the directors, and had no responsibilities to the shareholders or to the depositors. One auditor was a man of some eminence in his profession, so it is indeed mysterious how he can have believed himself to be a mere automaton under control of the directors. The real point at issue was not whether they were servants of the directors, but whether they were justified in certifying to the accuracy of balance sheets which they knew to be, and which they had once condemned, as false. Whatever was their relation to the directors, their annual certificate was fraudu-