

capacity out of the general funds of the colony, there arises the question as to what extent such legislation may be carried to in this or other directions, and what possible circumstance will ever urge or induce the public to forego an advantage once established.

Certainly it is demoralizing to a community and a menace to national welfare for a government to provide the public with an article of commerce at less than cost and charge the amount lost by this socialistic business on the national revenue as is being done by the New Zealand Fire Insurance Department. There is no more justification of, or reason for a government selling fire insurance below cost than for such government buying wheat or any other commodity and peddling it below the market price as determined by independent merchants.

Let there be a conflagration in New Zealand, or succession of disastrous years from serious fires, and it is likely that the inadequacy of the State Fire Department's resources to meet the claims will arouse the people to a realization of the utter inequity of imposing a general tax on the whole community, insured and uninsured, to raise a fund for paying fire claims.

THE YARMOUTH BANK CASE.

The prosecution of the Cashier of the Yarmouth Bank on a charge of sending false returns to the Government, ended in his conviction and being sentenced to two months imprisonment. This comparatively light sentence was caused by the judge having heard evidence which appeared to show that the practice of some banks was to treat dishonoured bills in such a way as involved entries respecting current loans and discounts akin to those on which the charge for making false returns to the government was based.

The judge is reported to have said:

"I cannot see how the law could be so interpreted as to permit this, but the evidence seemed to show that many bankers had adopted the practice, and that, therefore, Johns had some ground for making the returns as they had been made."

The practice alluded to, like some others, is quite regular and innocent, or most irregular and fraudulent, according to the circumstances of a bank customer's account and the intention of the banker.

The Cashier of the Bank of Yarmouth was unfortunate enough to have a firm as his principal customer which for some time had been drifting into insolvency. This led to a large number of drafts and bills being dishonoured which were retained in the bank's book in the section of its assets classified as, "current loans and discounts."

It is obvious that very grave falsifications of a

bank's condition may be concealed by passing through the books a mass of fictitious bills, entering them as discounts and leaving their amount in the current loans and discounts column after such bills had been dishonoured, when, as a matter of fact, they had no value.

On the other hand, a substantial merchant, or manufacturer, in high credit, may have bills drawn by him on his customers, returned dishonoured which bills the banker charges back to his customer's account, or holds for a time awaiting his instructions to "present again" or other action taken, as renewal, etc., to secure payment of such dishonoured bills. If the end of the month comes before some final settlement is made of bills in this condition of dishonour and suspense, the amount of them is included in the column "current loans and discounts." "Current" such bills really are, so long as they represent a collectable debt.

It would cause intolerable confusion and create grave misapprehension as to the condition of banks were all drafts and bills, when not promptly paid on their due date, instantly transferred to the "Overdue Debts" column in the monthly bank statement sent to the Government. When, however, such documents are left unpaid, or unrenewed, for such a length of time as indicates that there will be considerable delay and trouble in collecting them, they are no longer to be classified amongst current loans and discounts.

In the Yarmouth case, the amount of dishonoured bills that had been discounted for one firm and not covered, or withdrawn, is stated to have been \$365,000, which equals about 60 per cent. of the bank's total discounts. This was a deplorable condition which could not be long concealed. It is much to be regretted that no action was taken to have the bank wound up.

The Press reports of this unique case need explanation. It may be re-heard, as a reserve case was granted.

THE LATE W. J. BUCHANAN.

By the death of Mr. W. J. Buchanan, Canada loses one of its oldest, most widely known and most highly respected bankers. Mr. Buchanan, after giving some time to the study of law under his father, the late Alex. Buchanan, Q.C., of this city, entered business life. He took a position in the Commercial Bank of this city, which was merged into the Merchants' Bank of Canada in 1868. In 1853 he joined the staff of the Bank of Montreal, and successively occupied the position of manager at the branches, Brantford, Hamilton, Cobourg, and Toronto, where he made hosts of friends who will long remember him with affection and honour.