

Grain Growers Guide June 18/24

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The McKeown Report

Chief Justice McKeown, royal commissioner investigating the Home Bank failure, gives clear-cut and definite findings in his report which was tabled in the House of Commons last week. He states that in 1916, and also in 1918, Sir Thomas White, minister of finance, had ample information before him to justify an independent audit of the affairs of the Home Bank. If such an audit had been made in 1916 or in 1918, Judge McKeown is of the opinion that the bank would have been forced into liquidation or into amalgamation with some other bank. Under either procedure in 1916 the depositors would have lost nothing, and in 1918, the Judge, while not so definite in his opinion, thinks that there would have been no loss to the depositors.

Sir Thomas White retorts that the finding of Judge McKeown is of no importance and has no weight, but that it is merely the opinion of one individual looking over the evidence eight years after the event. Sir Thomas contends that he used his best judgment under the circumstances, and that he hesitated to take drastic action while the war was in progress, which would inevitably have caused the failure of the bank. He contends that there is no authority under the Enquiries Act, by which Judge McKeown was appointed, to investigate the action of any cabinet minister in such a matter, but that that authority rests solely with parliament.

There is considerable force in the contentions of Sir Thomas White. The duty of a minister of the Crown is to exercise his judgment in the light of the facts before him. At the same time it cannot be overlooked that special powers were given to the finance minister in the Bank Act to order an independent audit into the affairs of any bank whenever he deemed it advisable. In the light of the evidence available today it is quite clear that an independent audit in 1916 would have saved the depositors' money. That special provision was placed in the Bank Act to ensure efficiency and honest management of banks, and the public has, to a very considerable extent, relied upon it as one of the safeguards of the banking system.

There can of course be no legal obligation upon parliament to make good the losses of the depositors. It is for the King government to decide whether or not it will accept a moral obligation due to the error in judgment on the part of Sir Thomas White in 1916 and 1918. When the Home Bank failed there was on deposit approximately \$15,000,000, and it has been unofficially estimated that when the liquidation is complete, the depositors will lose about two-thirds. It is therefore a \$10,000,000 problem which the government has to face. It is a serious matter both for the government and for the depositors. The McKeown report has given the depositors good ground for pressing their claims for consideration.

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MEIGHEN PAPERS, Series 3 (M.G. 26, I, Volume 91)

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