

## PAYMENT OF PROMISSORY NOTES.

A good many written promises have to be placed in the same category with that class of verbal promises which are said to be—like pie-crust—made to be broken. When a debtor deliberately sits down and solemnly writes out and signs his undertaking to pay a certain sum on a certain day, the very nature of the transaction is calculated to raise the presumption that the intention is to keep *that* promise at least.

A very large portion of the indebtedness arising from the sale on credit of imported goods to the merchants of the towns and villages of Ontario, assumes the form of promissory notes. These notes are taken by the importer to his banker in Montreal, Toronto or elsewhere and discounted. This kind of security forms the basis on which large advances are made to importing houses. In the discounting of such paper, consists perhaps, the major portion of the lending operations of our banks. It will not be necessary, therefore, to more than mention these facts, to show how important it is that a class of transactions reaching such magnitude and involving such weighty interests, should be rightly conducted, that this paper should be *bona fide* and not in any respect fictitious, that it should consist only of the obligations of responsible and solvent parties, given for a valuable consideration. We shall not attempt to raise any doubt as to the generally genuine and substantial character of the notes discounted in the way we speak of by our banks; and in referring to the subject, it is our intention merely to point out certain errors of system in the treatment of this paper that have become habitual and which ought to be abandoned.

The first of these is the carelessness with which the payor is suffered to treat his obligation. It is notoriously true that in a very large and varying number of cases these notes are not met at maturity, but have to be held over or renewed. When the day of payment arrives a sum is perhaps remitted on account, may be further time is asked, or still worse a good many make no sign, but leave the matter wholly in the hands of the wholesale creditor with only this reflection, "He will take it up of course." This practice has grown into a most dangerous and demoralizing abuse. Nothing can sooner undermine commercial morality, break down all regard for the sanctity of contracts, blunt and obliterate that fine sense of honor without which success as a merchant is rarely if ever attained, than to inculcate such a vicious habit. The merchant who does not regard

his promissory notes as involving his honor reputation and credit, has one of the most important of first principles yet to learn. A really conscientious man will regard his protested note as a written lie, the evidence of which has gone abroad. But the fault is not wholly with the makers of this paper.

It often happens that a retailer who has bought a bill of goods on four or six months credit, is asked very soon after to oblige the wholesale merchant by signing a note for the amount. The note is asked for as a favor. The chief object is, of course, that it may be discounted. The note being given in this way, it is regarded as occupying merely the place of the current account, and is so treated. The importer feels that he cannot offend his customers in these days of sharp competition; he must carry him as long as the bank is willing to shoulder the burden of both, but can do it no longer. Here is the root of the difficulty, and in this way the banks are made the instruments for bolstering up a vicious practice.

Another abuse is this: A considerable number of retailers, who always pay their notes, make remittances in advance of maturity, with instructions to credit the same on the back. Meantime the note is at the bank, and therefore, instead of the required endorsement being made, the remittance is merely placed to the credit of the debtor's account. Every time this is done a wrong is practised, and very serious consequences might follow. The right way is to withdraw the note and make the credit as required, holding it till maturity.

Another feature in this mode of doing business, and which more especially concerns the banks, is the danger of double advances. For instance, Mr. Jones, who lives, say, in Chatham, has a line at the branch bank in his town, but his notes are already under discount to a large extent in Montreal.

Probably the most effective remedy for all these evils, would be to make all notes payable where the payor lives, or at the nearest point where there is a bank agency, and expect payment at maturity in all cases, otherwise protest. We see nothing impracticable about this method, and have no doubt of its value if applied. It rests chiefly with the banks to require the introduction of this reform. They have the power if they wish to enforce it. There is such a tendency to manufacture paper, that too great prudence cannot be exercised, nor too much pains taken to set this important matter upon a proper footing.

## INSURANCE COMPANIES' ACCOUNTS

A writer in the London *Economist* calls attention to a serious defect in the form of account adopted by the fire insurance companies to show the results of their yearly operations. The defect consists in the absence of any item to represent the liability on policies unexpired at the end of the year. He gives this form as the correct one in the case of a company whose premium receipts had increased £20,000 during the year:—

<i>Cr.</i>	
Premium reserve for policies unexpired on 1st Jan. being 40 per cent. of £80,000, the total premiums of the preceding year	£ 32,000
Premiums rec'd during the year	100,000
Interest receipts .....	2,000
	£ 134,000
<i>Dr.</i>	
Losses paid .....	£ 50,000
Expenses of management and commissions .....	30,000
Premium reserve for policies unexpired on 31st December, being 40 per cent. of £100,000...	40,000
Profit .....	14,000
	\$ 134,000

The same writer says that "most companies (English) of any standing have a much larger reserve fund than is requisite to meet merely the liability on unexpired policies. On the other hand there are several of recent origin which have not even sufficient reserve to meet this liability, and if liquidated would have to draw upon capital."

The principle above laid down is unmistakably sound, and ought to be recognized in practice by every fire insurance company who desires to correctly represent its position. To ignore the reinsurance liability does not in any sense get rid of it, for it is as much a reality and as far from fictitious as any other form of liability. Strange to say, however, the majority of companies, both in England and Canada, show no such item in their statements. We have always contended for the distinct recognition of the principle by every company, and hope that, if necessary, shareholders will demand it, that they may know what their true position is.

QUEEN CITY FIRE INSURANCE COMPANY.  
—At the annual meeting of this Company yesterday, a report was read showing the result of last year's transactions. The income from premiums and interest on investments was within a fraction of \$20,000. Losses paid on the business of the year amount to \$1,579; and there were paid on account of the previous year \$1,517 making