

as a just cause for that interference. It is not at all difficult to imagine a situation where the company finds itself with two avenues open to it; for example, it may have made loans which everybody would regret; the values may have largely disappeared, and it becomes a question whether or not taxes and interest should be paid in order to preserve the investment. Now it well might be that one acting in the very best of faith would say: You are simply throwing good money after bad to do it. Again, it well might be that with the turn of the wheel it would have been insanity not to have put up the money. The difficulty that I see, when we get down to the point where you are going right to the very end of the company's activities, is how on the one hand to preserve anything like proper business administration by the directors, and at the same time give effect to the full provisions of the act. It can be done easily enough so far as the depositors are concerned, because as a rule the depositors' interest in these companies is relatively very small and the whole interest of the department would be to see that there was always left intact enough liquid assets, or assets readily convertible, to meet the claim of the depositors. A company, indeed, would have to be in a very bad position before that time came. On the other hand where you have companies with a tremendously large debenture debt—and some of our very best companies have that—if the work of the inspector is to include the whole of that, why the margin as to apparent absolute solvency may become very narrow from the standpoint of the debenture holders of the company. There we are getting on difficult ground. I really think the hon. gentleman should give us an idea of what is to be done.

Mr. MACLEAN (York): I should like to point out that from the facts that have transpired before the Banking and Commerce committee the banks are closely allied with trust companies, and the latter ought to be inspected in the same way that the former are to be. If the proposition now before the House is in that direction I certainly would endorse it. The same remark would apply to insurance companies. In the public interest they ought to be protected by some system of inspection such as is provided for by the resolution coming up later.

Mr. HARRIS: How far will this inspection guarantee to a greater or lesser extent protection to the institutions concerned? If the inspection carries with it no responsibility on the part of the government, and does not

increase the responsibility of the directors of the different companies, I am absolutely opposed to it.

Mr. ROBB: There is no government guarantee. My hon. friend knows that in common law there is no recourse against the Crown; but the inspection is a protection and a safeguard to the public. Legislation providing for the inspection of loan and trust companies was first introduced in 1914; the law was amended in 1920, and additional amendments were made in 1922 to provide some further protection. My hon. friend, I imagine, argues from the point of view that the claims of the depositor have some preference. I should like to point out that the debenture holders and the depositors rank equally, therefore anything that affects the solvency of the company as a whole affects the depositors as well as the debenture holders.

Sir HENRY DRAYTON: Ought not that to be amended?

Mr. ROBB: No, I would not admit that.

Mr. MEIGHEN: Suppose there are no depositors? Suppose they are all out of the road, should the government keep on looking after some of them?

Mr. ROBB: We cannot legislate for every individual company. The law must be general in its nature and applicable to all companies doing business. Let me point out to my hon. friend, who has a pretty clear mind, this fact: He brought up the question a moment ago of looking after the Scotch debenture investor. Suppose there is a company doing business in Canada, having a Canadian charter, taking deposits from Canadians and selling debentures in Scotland or any other country at a price that will cost the company 8 per cent here while they are investing money in Canada at a net rate of 7 per cent. How long will they keep going on that line without destroying the security of their depositors? I think that will appeal to my hon. friend.

Mr. MEIGHEN: My hon. friend does not know the Scotch or he would not expect to sell them any of these debentures.

Mr. ROBB: We must consider the effect of exchange. My hon. friend a moment ago brought up the question of directors. Suppose that in the case of some of these companies the directors have borrowed from the companies sums far in excess of the amount they had invested in the enterprise, does my hon.