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THE ONTARIO BANK MEETING.

The meeting of the shareholders of the Ontario Bank, to consider the proposal to reduce the stock by fifty per cent. was, as had been foreseen, a stormy one. The president was not allowed to take the chair, nor did the opposition, led by Mr. David Glass, of London, elect their nominee, Senator Vidal, but without pressing the question to a vote, accepted Hon. C. F. Fraser. Sir Wm. Howland explained his connection with the bank, which goes back to 1864. His duties as director were at first confined to the supervision of the Toronto branch, where he resided, when not at the seat of Government. In May, 1875, the head office was removed to Toronto, Sir William taking a wider responsibility as director, and Mr. Fisher was promoted from local to general manager. Mr. Gzowski had meanwhile become a director, in 1873. The head office was brought here because the bank had not been satisfactorily managed at Bowmanville. The selection of Mr. Fisher, against whose trustworthiness nothing could be urged, was not a fortunate one. His appointment was made at a crisis in the affairs of the bank, and that was the time when its condition should have been thoroughly overhauled. This, however, was not done. It was not till more than two years later—the autumn of 1877—that the manager was instructed, in connection with the inspector, to make a special inspection and report on the condition of the bank. Acting upon that report the directors took \$300,000 from the reserve, appropriated \$365,000 to bad and doubtful debts, and reduced the dividend to three per cent. In doing this, Sir Wm. Howland says the directors believed they were "making full provision for covering the estimated amount of bad debts, with a liberal provision towards the doubtful ones, as exhibited in the inspector's reports."

The manager of the Bank of Montreal, however, soon after seems to have known more than was contained in this report. As

foreign agent of the Ontario Bank, in New York and London, the Bank of Montreal was liable to make considerable advances to its client; and something occurred which made the Bank of Montreal anxious to put a period to its responsibility. Notice that the account must be closed was given. Here was another crisis in the affairs of the Ontario Bank, and it seems to have been thought that it could be met by swapping horses while the stream was being crossed. Sir William Howland became president in the place of Senator Simpson. Means to pay the Bank of Montreal had to be found. Some new vigor was infused into the management. Where there was danger of loss, additional security was got if possible, and the manager was told to be careful in the conduct of current business. In 1879, the condition of the bank was at a low ebb: the circulation was down to \$583,000, deposits to \$2,444,000, available assets to \$742,000. Next year, things began to improve; circulation rose to \$912,000, deposits to \$4,042,000, available assets to \$1,206,000, loans from \$5,164,000 to \$6,291,000. New branches were opened and the current business looked well.

Still there was a skeleton in the banking house, in the shape of the doubtful condition of "some of the large accounts owing to the bank." It is always the large accounts that do the mischief. Advances made to lumberers and other manufacturers had been used for purposes which require fixed capital; the transfer of circulating to fixed capital necessarily involved a lock up. The land, buildings and machinery into which it had gone could not be realized upon, since they were essential to the conduct of the creditors' business. If these had been saleable things and likely to be disposed of at a profit, the case would have been different. The loans had been made to persons with insufficient capital of their own to put into the fixtures.

This was the original error. Could not something more have been learned about these accounts at an earlier period? It is quite impossible, and is not necessary, for the directors to follow all the minor details of a bank's business; but the large accounts are not numerous, and the general condition of them should be kept well in view. Security could not be got; the manufacturing establishments must either be closed, by the bank coming down with its claim, or supported. To sell them up, would be to realize a great loss; the temptation to afford support, in the hope of faring better in the end, was present. But when loss has been made, the chance of retrieving it is generally very small; and the best thing is to face the loss rather than run the risk of increasing it. This is

by no means a canon for universal adoption; but when the concern to which the advance has been made is clearly insolvent, further advances are folly. It is the nature of directors to dread the shock of the final catastrophe, and to desire to delay it, even when its advent is inevitable.

In cases like the present, a scapegoat is generally found. This time, it appears in the person of the late manager, Mr. Fisher. He is represented as withholding from the directors information necessary to a full understanding of the affairs of the bank; as doing so rather from listlessness and incapacity—Mr. Gzowski says the affairs of the bank had become too great for him to grasp,—than from any other motive, as being wanting in energy and decision, which we can believe, though no improper motives, much less any criminal intention is attributed to him. It was the state of the business at some of the branches that caused the change of manager. It is satisfactory to know that no criminal motive seems to have actuated any one connected with the management. The origin of the worst losses goes back many years. Sir William Howland distinctly states that "the larger portion of the losses estimated by Mr. Holland to be incurred results from operations entered into before myself and most of my present colleagues were in a position to exercise any direction or control over the affairs of the bank." This plea could only hold good for the time anterior to the removal of the headquarters to Toronto, six years ago; and it cannot be denied that during that time the general aspect of the large accounts should have been understood by the directors.

Nothing was elicited at the meeting to show that a reduction of less than fifty per cent. would be sufficient. Mr. Glass had written to urge upon the directors not to let it exceed twenty per cent. upon no ground whatever but his own wish. Mr. Holland showed that he had valued the assets of the Guelph Lumber Company higher than any tender he subsequently received for them. When it became evident that a motion to make the reduction less than fifty per cent., was not certain of being carried, Mr. Glass changed his tactics and moved an oblique want of confidence in the directors, asking the meeting to affirm that no reduction ought to be made till a change of directors took place. This implied delay, which might throw the matter over till after next Session. Had it been open to Mr. Glass, under the notice calling the meeting, to move a want of confidence in the directors, without coupling the motion with delay in reducing the stock, he would have met much sympathy in that course, for the directors cannot be acquitted on the charge of negligence, though