

in which money-lending institutions of the kind complained of have been carried on:—

In the case of one so-called bank the insolvency was reported to "have been due to an accumulation of bad debts, losses through investments in companies, adventures in wool, speculations on the Stock Exchange (through which a loss of over £60,000 was incurred), etc."

Another so-called bank, which had a duration of two years only, was wound up in 1894. It was "formed under the Industrial and Provident Societies Acts, ostensibly to carry on a mutual banking society. £100,000 capital was offered for public subscription, but only £548 was applied for altogether. This, instead of being returned to the subscribers as it clearly ought to have been, was appropriated and lost. The business done by the Company was entirely of a fictitious character, and no profit was made at any time."

From a report on another "bank" we learn that "at the time of suspension the deficiency on the debtors own estimate of assets, amounted to over £300,000. The money thus lost was almost entirely derived from deposits placed in the hands of the bank by some thousands of small depositors in connection with the banking business, the public being induced to entrust their money in this manner by pamphlets concocted by the firm and issued broadcast through the country amongst the investing class. This continued for years after the firm knew they were insolvent, nearly 4,000,000 of these pamphlets having been circulated during the twelve months preceding the bankruptcy." Here, again, the money was lost in rash speculation. The liabilities expected to rank were over £600,000, and the probable value of the assets was short of £200,000.

From the Winding-up Report (1897) we take the following particulars of a so-called Banking Company. "This Company, which possessed many of the features of a large public company, was really at its initiation a 'one-man company,' and throughout its existence was controlled by the promoter, who commenced business as a money-lender and financial agent in 1867, and traded under various styles in London and the provinces until 1889. In that year he transferred the business to a limited company, consisting of himself, his sons, and certain other nominees. The nominal capital of the Company was £1,000,000 in shares of £20 each. The issued capital was £300,000, practically the whole of which was allotted to the promoter and his nominees as 'paid up' to the extent of £150,000." The point upon which it is necessary to lay stress here is that this was a money-lending concern pure and simple on a large scale, conducted by the promoter and a nominal board of puppet directors, whose qualification he had himself provided. "From 1889 to 1892 the balance sheets showed large profits, and dividends of 8 to 12 p.c. were declared. Immediately loans were effected, the total interest payable on them for the whole period of the advance were treated as 'profit,' and a large proportion of the 'profit' from which dividends were paid consisted of future interest, which at the time was neither earned, received, nor secured beyond the personal note of the borrower. When debts were known to be bad they were transferred to a 'Guaranteed Loan Account' and by that means still retained at their full amount in the assets. During the life of the company bad debts amounting to no less a sum than £70,000 were dealt with in this manner." The Report goes on to say that the goodwill, which stood in the books at £100,000, was practically worthless, and the paid-up capital non-existent; the balance sheets, however, served to deceive the public and induce them to purchase shares and deposit money with the Company.

#### THE RESULTS OF A GERMAN CAMPAIGN.

Mr. Cassel points out that the important thing about concerns of this kind is that they are really not banks at all, but are merely money-lending establishments, trading with other people's money and without even the check of a personal interest.

Now, what is the remedy? It may not be practicable to frame legislation so as to altogether prevent money-lenders from trading under the style of a bank, but Government could easily attach a substantial financial condition to the privilege. An insurance company is called upon to deposit the sum of £20,000 before it is permitted to start life insurance business in the United Kingdom. That principle is as sound as it is essential. Why should it not be ex-

tended to banks? Why should it not be made impossible for money-lenders to trade as banks unless they have deposited an adequate sum to guarantee their good faith and sufficiency? There seems to be a good deal more activity and vigilance on this subject in Germany than there is here. The German Bankers' Union has recently set the law courts in motion against irresponsible money-lenders who bluff the public by the abuse of the word "bank." The German campaign against these so-called "banks" has in fact grown so hot that many of them now find it more convenient to use the phrase "financial institution." The bankers connected with the London Clearing House are more interested than anyone else in keeping up the dignity and repute of their calling, and purging it of these scandals. They are the proper body to act. A recommendation from them would have irresistible weight with the Government. If the method herein suggested can be supplemented by other effective restrictions on the abuses of so-called banking, by all means let them be imposed. The main point aimed at is to prevent the word "bank" being so used by irresponsible or unprincipled people or companies as to beguile the public into entrusting their savings to the tender mercies of speculating "financiers." The money-lender may be a necessary evil—he may in some cases be even a useful member of society—but that he should be able to call himself a "bank" and get control of other people's money on that representation is a condition of affairs it is impossible to conceive can be allowed to continue.

#### PROPOSED LEGISLATION.

With this object in view a Bill has been introduced in the House of Commons by Major White, supported by members on both sides of the House. This Bill provides that every person not being a limited company who commences to carry on the business of banking after the Act shall register his name, address and description with the Board of Trade, and deposit with the Board the sum of £20,000. This sum is to be invested in Trust Securities and to be available for satisfying creditors, the income in the meantime being paid to the person who made the deposit. An annual balance sheet and profit and loss account must be prepared, and every five years an investigation must be made into the financial condition of the undertaking by an independent qualified accountant, and an abstract of his report must be delivered to the Board of Trade. A copy of such abstract, balance sheet and accounts must also be presented to any customer requiring the same.



#### Notes on Business.

##### Electric Merger at Toronto.

Shareholders of the Toronto Electric Light Company last Saturday, decided to sell the Company to a syndicate with Sir William Mackenzie at its head at \$135 per share. There were two offers before the meeting that of the city to pay \$125 per share and leave the liquid assets for distribution to the shareholders and that of the syndicate to take over the stock and pay \$135 per share. It is stated that this is the first step in a \$10,000,000 electric merger. The contracting parties will be the Toronto Electric Light Company, which passed into the hands of the Electrical Development Company by the unanimous decision of the shareholders of the former company at a meeting held on Saturday, the Electrical Development Company, the Toronto Power Company, sometimes known as the Toronto &