

Opinions on Our Banking System

Opinions of many farmers---Where the System falls down---Replies to Mr. Vere Brown

I hope that out of the discussion which is appearing in our Western papers there will result some good in the nature of more liberal accommodation to farmers for the purpose of encouraging agriculture in all its branches and better service to the public, and that the Bank Act will be considerably improved, if not radically altered, at its next revision.

In spite of the fact that Mr. V. C. Brown states that there is nothing wrong with our banking system, I beg to differ from him. While a great deal may be said in its favor it is by no means perfect. Mr. Brown puts up a splendid argument for the chartered banks, their functions and obligations to the public, but I am inclined to think there is a great deal of theory about it and while, with all due respect to Mr. Brown, he is an excellent banker I am afraid he has not had very much practical experience in dealing directly with farmers in Western Canada. If the bank officials could only have actual personal knowledge of the problems of the western farmer and the requirements of the country I am of the opinion that a great improvement would soon take place in the system. I think that the fault to a certain extent lies in the fact that a great many of the head office officials have not had actual experience in managing a country branch.

In the article above referred to, Mr. Brown states that "the allocation of that portion of the funds of banks available for protection and distribution must always be determined by competition—competition among banks for the best and safest business." This is one of the chief points in which I differ from him. I contend that there is no real competition in Canada between chartered banks as everything of a competitive nature is decided and regulated by the Canadian Bankers' Association. The rates of interest, exchange, interest allowed on daily deposits, etc., are all agreed upon and laid down by the association with the result that a customer can do no better at one bank than at another. With a farmer who is tributary to a town where there is more than one bank it is simply a question of which manager he likes best. If he is unfortunate enough to be tributary to a town where there is only one bank he is forced to do business there whether he wants to or not as I am informed the Bankers' Association have laid down a policy to the effect that a bank in a rural district must only take business from farmers living nearer to the place where it is situated than to another point. Is it not a shame that any business, corporation, or organization should be able to dictate to a man as to where he shall do business?

The principle of a farmer doing business with the nearest bank to him or a bank taking business only from customers over which it can have close supervision and a watchful eye is a good one, but if strictly adhered to often causes great hardship. I know of a great many cases of individuals who from purely personal reasons have been debarred from doing any banking business whatever. There are no doubt quite a few farmers in Western Canada who keep a large amount of cash in the house simply because of differences with their home bank in days gone by and who now refuse to do business with them, and are prevented from doing business anywhere else as the banks will tell them they are out of their territory. If a person's money is good anywhere in Canada why should his credit not be good, providing he has the necessary security to offer and a financial statement to warrant it?

Banking System a Monopoly

The banking system of Canada to my mind has developed into one of the greatest monopolies in the world. A few men in Montreal and Toronto who have the controlling interest in our larger banks practically control the finances of the whole Dominion of Canada and are powerful enough to dictate their views and policies to almost every other business and industry in the country.

Mr. Brown asserts that farmers are extended all the credit they require even at the expense of interests in the large centres, but this I cannot credit. It is only natural that large institutions, whose directors are interwoven and interlocked with other large companies are going to first protect and take care of their immediate friends and that such will get all the money they require at the expense of others.

I believe the government should give banks every

These letters are opinions on, criticisms of, and replies to the articles on "Rural Banking Credits," by Mr. Vere Brown, Superintendent of Western Branches, Canadian Bank of Commerce, recently published in The Guide. Some of the best letters must be held until later. We would like to have the opinions of other readers on this subject.

privilege and facility possible in the way of taking security as I believe they are above abusing it and that the advantages to be derived therefrom will far outweigh any possible disadvantages that may arise. The power, for instance, given to banks to file a lien for a limited amount on a homestead before the patent is issued would be a great help to a deserving homesteader to secure credit. The law in Saskatchewan, passed in 1915 to prevent a farmer from giving mortgage security on exempt chattels should be withdrawn as all such legislation only serves to help crooks and curtail the credit of honest farmers.

Would the service of chartered banks not be greatly improved if the managers were put on a profit sharing basis or were allotted a certain amount of stock in the bank by way of bonus? The managers would then undoubtedly be more courteous and obliging and generally do everything possible to increase the business of the bank. If the bank found that this was encouraging their managers to accept bad or doubtful business they could pay them their bonus by turning over to them their own customers' bad notes.

The Local Manager

With regard to Mr. Brown's remarks under the heading of "Branch Banks versus Local Banks" I again differ from him and maintain that in spite of his views a local bank can give a great deal better accommodation and service to the public than any branch of a chartered bank. The reasons are obvious.



Indian soldiers from Kati-el-Amarah reach the British fleet. Landing from the hospital ship. This photo was taken last year when the Turks captured Kati-el-Amarah. The Kati has recently been recaptured on the victorious advance of the British to Bagdad.

The welfare of a local bank is wrapped up in the welfare of the community in which it is situated. The manager being personally interested in the bank is bound to take more interest in it than a man conducting a business with no interest beyond a living salary. Again a man in charge of a local bank is usually one having initiative, has made money himself, and is consequently much better fitted to give advice than a man who by his training has become a mere machine. To my mind the average chartered bank manager while usually a very likeable fellow has become, thru no fault of his own, less serviceable than he might otherwise be, to himself, the bank, or the community in which he resides. First—he is less serviceable to himself because he usually spends more than he makes, due to the inadequate salaries paid and the false teaching of the inflated idea of his own importance which the bank, to retain his services, endeavors to instill into him. Second—he is less serviceable to the bank because in small towns he does not take the interest he should in the business of his own branch on account of the ultra severe restrictions and limitations imposed upon him by head office and very often turns down legitimate borrowers to save himself the necessity of writing out the long and tedious communications and statements required by the superintendent. Third

—he is usually of less service to the community because he takes little or no interest in its affairs, pays no taxes and lives in almost daily anticipation of a move. Even tho as Mr. Brown states that a number of small local banks in Ontario went out of business because they could not live on the interest rates, I believe such banks gave more real service. As it requires a store keeper in a small town to handle all classes of merchandise to make it pay so will a bank have to handle all classes of financial business and I believe it should be allowed to do so. Banks in small towns in the States pay well and properly handled, they could here, also.

In a few years I believe the chartered banks will realize that a system of provincial banks on the same system as the State Banks in the United States of America will be the only solution of the difficulty. They will find that a great many of their country branches will not pay owing to the large buildings erected and consequent large overhead expense. The British North America Act should be altered to enable the provincial governments to charter provincial banks which should be very carefully regulated and inspected so as to be absolutely safe. In that way we would get real competition which would solve all the difficulties of the farmers of Western Canada and enable us to keep the money of Western Canada at home instead of being on call loans in New York and in banks which are controlled in Eastern Canada. The chartered banks would then be able to sell out to local banks who in turn would be glad to use the large chartered banks as a bank of re-discount. The chartered banks would in this way receive the benefit of the country business without any expense or risk to themselves.

The modern rural bank should be aggressive as well as conservative because conservatism and aggressiveness are not antagonistic, they are complementary. The old idea of banking was to patiently wait for business, the new idea is, or should be to bring it in. The process of bringing in business need not degenerate into one of direct solicitation for deposits or trespass on the ethics of good banking. It is accomplished simply by adapting the facilities of the bank to the varied financial needs of the community and making this fact known.—J. P. K., Sask.

GOT GOOD TREATMENT

I wish to congratulate The Guide on the happy thought of asking Mr. Brown, of Bank of Commerce to write his article on the banking system of Western Canada, and I must say that the spirit of his letter is most fair and reasonable, showing a willingness to meet the farmers in a business like manner.

I never had any trouble to get money from the local banker since I started farming, which was one year after I got my patent on the homestead in 1911. I mortgaged my homestead and bought horses. Then I bought on credit harness, wagon, and other farm machinery and had nearly 100 acres broken with steam plow, part cash and part time. In 1913 my creditors were getting anxious and pressing. I went to the banker and showed him my position and he carried me over for another year. In 1914, the dry year, I gave him security on my horses and paid my creditors enough to keep them quiet. The dry year turned out trumps for me as I had an excellent crop on summer-fallow. I held the grain until May, thanks to my banker and made I think \$1.30 net per bushel. Since then of course my position has been greatly improved thru war conditions and good crops.

The farmers in this district cannot complain about not getting money for carrying them thru the season for general expenses, but they have not been able to get money for buying stock. The farmers that have stock have got them from the proceeds of grain farming. Last December I went to my banker to see if he would finance me for a car load of yearlings or 27 steers. He wrote to Winnipeg and got the reply that I could borrow the money but I must give a lien on the cattle and also pay off the loan in February from proceeds of my grain. This isn't financing a farmer for cattle at all. If the bank wished to finance for a car of cattle they would carry a man until the cattle were sold. Without any bunkum I can assure Mr. Brown that I am what he described as a party whose business standing would warrant a banker financing me for a car of cattle. I know the farmers around here for miles. It is an excellent farming country and many of the farmers are honest,

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