

*Trust Companies Act*

for investigation and report, because these companies are going far beyond their functions under the general act of 1914.

Sir HENRY DRAYTON: I do not know that we have got very much further in understanding where this matter stands. I think my hon. friend will agree with me that there are functions in connection with inspection which are more of an inquisitorial character than judicial in their exercise, not calling for the exercise of judgment—certainly not calling for the substitution of a civil servant's judgment for the business judgment which ought to be exercised by a director. I rather apprehend that is the real point that my right hon. leader seeks to make clear. Just to illustrate, take the act of 1920. The finding of the amount of bond issues, and that sort of thing, is merely an inquisitorial function; it is merely finding out the fact, and making public an expression of the fact. That is one thing about inspection, and that is only an illustration that will apply in all the different fields.

The next thing about inspection is that there is not only an inquisitorial function, but a function that requires the exercise of a nicety of judgment; for example, the determination of the value of securities, the determination of the propriety of the policy which the company may have entered upon. Now, if we adopt—and my right hon. leader thinks we ought to adopt—the policy of looking after the more or less uninformed public which uses these companies for the purpose of deposit, it is manifest that the mere official act of ascertaining the figures and reporting the figures under their different heads cannot protect those depositors. Inspection has to be carried further. The official has to exercise judgment, and judgment of a high order. He has to determine upon securities and investments, for instance; he has to determine to some extent upon company policy. Now my right hon. leader has admitted in effect that that ought to be so, so far as these people are concerned. Who are these people? These people are the citizens, not of necessity informed at all in matters of finance, who are putting into these institutions the little savings they make from time to time. That is admitted at once to be a proper field of government operation. Now you can carry it further. You can carry your inspection, your valuation, your criticism, yes, indeed, you can carry your reversal of company policies, to the point of making sure not only that those are safe who are not in a position to ascertain for themselves the safety of their depository, but to the point of looking after

[Mr. Church.]

the general business investor, the shrewd man of affairs and the like. That is what is done when we look after this question of debentures. My right hon. leader illustrates Scotland, and he takes Scotland because it is known very well that nearly all these moneys were raised at a low rate of interest in Scotland,—or at least this was the case before the war, and I hope soon will be again—and they are looked after there by gentlemen who are very, very efficient in looking after securities of this character.

Now, after pointing out the groundwork to my hon. friend, and if I am wrong in it I want him to correct me, I want to see what he thinks of this. In the first instance I take it that he would say, and I would agree with him in saying, that the function of the department should be carried, if necessary, to the point of reversing company policy in order to save the depositor; to the point that values may be written down, that certificates may be withheld. But will he go to the point of saying that in connection with these companies, whose obligations to a very large amount consist of these debenture moneys, the government official ought to take the place of the directorate and the management, and ought to say whether they can carry on or not, and whether or not the certificate will be withdrawn? That is the logical result of these things. Now it is not so much a matter of law perhaps, as it is a matter of administration, and it is an exceedingly hard thing when you get to the final point as a matter of administration, as my hon. friend has found, and as I know I found it to be, to say whether the judgment of what after all is an irresponsible government official,—and I use that term "irresponsible" merely to indicate that he has no monetary interest in the company, shall be substituted for the judgment of the directors who may have their all in it.

Mr. ROBB: Suppose a case came to the attention of the government where the directors did not have anything in it?

Sir HENRY DRAYTON: Then their position is very much like that of the government official. But usually directors have a monetary interest in the concern, and they ought to have a monetary interest in it. Perhaps it would be well to consider making a change in the act to provide that the directors should have a substantial interest in it; that is the way of dealing with that problem. But it is a very difficult matter, I think my hon. friend will agree, to find out, first, when absolute interference with corporate rights is justified, and secondly, what is to be regarded