

THE BANKS AND FORGERIES.

Prevalence of Forgery in Canada at the Present Time, and some Suggestions for Combatting it.

That Canada, particularly in the West, is flooded with forgeries at the present time, is the opinion advanced in the *Journal of the Canadian Bankers' Association*, by Mr. A. Gordon Tait, who makes a number of suggestions for reform. These forgeries are principally, says Mr. Tait, cheques—cheques with forged or fictitious signatures; cheques with forged endorsements; cheques with both signature and acceptance by bank forged; cheques with amounts raised and with either genuine acceptance, or forged acceptance or without acceptance. This is a formidable list, but to it should be added forged commercial paper (usually the handiwork of the endorser who has subsequently had the notes discounted); forged or fictitious collateral notes tendered as security, and lastly, drafts under letter of credit and foreign bills in sets bearing forged endorsements or names of fictitious drawees.

Mr. Tait divides these forgeries into the following classes:—

1. Forgeries by the clever professional crook, operating first in one district, then in another; now in Canada, now over the border. He is a past master in the art of forgery and occasionally plans ambitious coups by means of plain forged cheques, or preferably forged accepted cheques, or forged cheques actually bearing genuine acceptance by the drawee bank, having been presented for acceptance in rush hours.
2. These are forgeries usually clumsy and unskillfully perpetrated by: (a) The slick party who finds making a living by dishonest means less arduous than by honest, yet not to be grouped with the skilled professional crook. (b) The "down-and-out," and therefore desperate. (c) The casual forger whose crime is born of opportunity.
3. The third distinct class of forger is the customer presumed and believed to be honest, who bolsters his discount accounts, or collateral with forged or fictitious paper.

For preventive measures, Mr. Tait makes the following suggestions:—

- (a) The amendment of section 50 of the Canadian Bills of Exchange Act on the lines of section 60 of the English Act.
- (b) The adoption of the system of crossed cheques already provided for by sections 168 to 175 of the Canadian Bills of Exchange Act, taken from the English Act.
- (c) The abolition of the "counter cheque," also of the unnumbered and unrecorded customer's cheque.
- (d) Increased caution on the part of the bank staffs.
- (e) Adequate police protection.

The obvious conclusions from these recommendations, says Mr. Tait, is that the banks would be far less liable to be victimized if the Bills of Exchange Act were amended so as to throw the responsibility for forged endorsements on the payee through whose contributory negligence the numerous forgeries of this nature are alone rendered possible; if the "crossed cheque" system were brought into use—a system legalized in Canada in 1860 but never yet taken advantage of, nor generally understood; if the unlimited supplies of unnumbered and unrecorded customers' cheques and counter cheques placed at the disposal of the public were withdrawn; if bank officers exercised more care in scrutinizing signatures and forbore taking long chances in cashing cheques for unknown and unidentified parties; if our police and private detective organizations were equal to the task of keeping the country clear of crooks, swindlers and other undesirable persons, such as "eggmen," or safe-blowers, hold-up men and the rest of the fraternity.

AMENDING BILLS OF EXCHANGE ACT.

Regarding the amendment of the Bills of Exchange Act, Mr. Tait points out that in Canada a bank is responsible for both a forged signature and a forged endorsement, while in England a bank or banker is responsible for a forged signature, but not for a forged endorsement.

Hence it happens that banks in Canada sustain numerous

losses which in England would fall on the endorser—provided, of course, proof is forthcoming that an endorsement actually is a forgery or is unauthorized. Whether or not injustice is done under section 50 of the Canadian Act is a question for others to decide; but it is obvious that losses on the part of the paying banks through forged endorsements would be practically eliminated if the English section 60 were introduced into our Bills of Exchange Act in place of the present section 50.

CROSSED CHEQUES.

The difference between a cheque which is not crossed and a cheque which bears a general or special crossing, with or without the addition of the words "Not negotiable," is that the latter is payable only through a bank (if specially crossed, through the particular bank named), while the former may be cashed, if desired, over the counter. The crossed cheque is, therefore, in a measure, a protection against forgery, for the reason that a dishonest person who would readily present an uncrossed cheque bearing a forged signature or endorsement over a bank counter and receive the money for it, might hesitate to deposit a crossed cheque to his account and await its clearance. One point should be remembered as bearing on the forgery, namely, that a crossing is a material part of a cheque (section 170) and obliteration of it would render the guilty party subject to prosecution on the charge of forgery.

The crossed cheque was in use in England "for many years prior to 1845," but has never been adopted in Canada, where its uses and purposes are little understood. Possibly one reason why crossed cheques do not commend themselves to the business public here is because (as already seen) the drawer is protected at the expense of the bank under the Bills of Exchange Act and by the use of cheques drawn payable to order. Whether Canadian banks and the Canadian public will ever favor the use of crossed cheques, it is impossible to say. The situation has changed but little since 1868, when it was so clearly summed up by Mr. Lash in the concluding paragraph of his article on "Crossed Cheques," and I cannot do better than to quote it here:

"This subject is well worthy of attention by the Canadian Bankers' Association, with a view to making the advantages of crossed cheques known to the commercial community, and thereby bringing about their adoption generally in Canada. The Statute has been in force now for eight years (since 1860), and very few merchants know of it. Those who do know, do not understand it. If the banks act, the knowledge will soon become widespread. If the banks do not act, no one else will."

(To be continued).

LONDON MUTUAL FIRE INSURANCE COMPANY.

Accompanying the annual statement of the London Mutual Fire Insurance Company, which appears on another page, is an official announcement regarding the change in its ownership. As has previously been noted in *THE CHRONICLE*, the London Mutual has become the property, through the purchase of its entire capital stock, of the Midland & Textile Insurance Company, of London, England. There will, however, be no change in the organisation or staff of the London Mutual, other than the retirement of Mr. D. Weismiller, the president and managing director. Mr. Weismiller has been connected with the London Mutual since 1866, and rose in its service until in 1906, he became managing director, succeeding to the presidency in 1900. The success of his administration of the London Mutual in its own special field is well known. His successor as managing director is Mr. F. D. Williams.

Withdrawal from unprofitable territory, and the exclusion of some hazardous classes of risks, causes a shrinkage in the figures of the London Mutual's report for 1911, in comparison with 1910. Gross premiums were \$771,404 and net premiums, \$383,561 in comparison with \$823,080 and \$412,153 respectively in 1910. The year's net losses were \$249,879 against \$217,692 in 1910. The company was in-