

CASHING CHEQUES FOR STRANGERS

Responsibility Rests Chiefly on Banks, and Adequate Precautions are Not Always Taken to Prevent Loss

BY A. B. BARKER

THE chief point of daily contact between the banks and the general public, is at the teller's wicket, when cheques are presented for payment. At times there is considerable friction, due to the bank requirements in the matter of identification. The law holds the bank responsible for payment to the proper party, and some of the public, not realizing this, or possibly not caring, are inclined to be resentful when asked to prove their identity.

The average teller endeavors to perform this part of his duty with full regard to the feelings of the payee, but in view of his responsibility, he must play absolutely safe. There are some, of course, as in all professions, who are lacking in manners, but the vast majority handle the situation with tact and courtesy.

Resent Suggestion of Dishonesty

Part of the resentment felt by the honest man, who is asked to get someone known to the bank, to identify him, is due to pique at not being recognized, and this blow to his self-esteem is apt to make him unreasonable. With others of course it is merely a form of bluff, as they know perfectly well they are asking the teller to take a risk which they themselves, under similar circumstances, would not take. Sometimes men known to the bank are quite willing to endorse "for identification only," and profess to be much agrieved when this is refused. This may be due to ignorance, but as a rule their intention is that any risk in the matter shall be borne by the bank, while any benefit accruing will come to them.

Responsibility of Bank

When a bank accepts a deposit from a customer it agrees among other things to account to him therefor on demand, and to honor his instructions to pay his cheques on presentation, out of the funds at his credit. In this capacity it is a trustee for its customer, and naturally the customer looks to the bank to protect his rights to the full under this arrangement. Under the Canadian law the responsibilities of the banks in this connection are greater than the law of Great Britain imposes on banks in that country. The British system of crossing cheques insures the negotiation of a cheque by the rightful payee only by having it placed to his credit in the bank in which he has his account. The law practically says that the maker of the cheque, by crossing it as the act provides, can guard against loss by theft, and that if he decides not to avail himself of this method of protection, he must stand the consequences. If a bank in Great Britain, therefore, in good faith and without negligence, pays an "uncrossed" or open cheque, the loss would fall on the maker. This system of crossing cheques is part of the Canadian law, but as the bank is not relieved of any responsibility thereby, it is seldom used.

Banks Liable for Negligence

In the matter of contributory negligence, the public in Canada is also protected at the expense of the banks. The following is a case in point: Some years ago, in the west, a farmer, in paying off his foreman, signed a cheque on his bank account, the body having been filled in by the foreman, who purposely left spaces in the cheque. It was drawn for four dollars, and later filled up for four hundred by the foreman. It was presented to the bank, the officials of which knew the man as an employee of their customer. It was in order, so far as they could tell, and, in good faith, they paid it. Later, it was disputed, and the bank's solicitor advised that, except for the amount for which it was originally drawn, it was a forgery, and the bank, therefore, liable. The case did not come to trial.

In the United States the Supreme Court of California held that a bank paying out money on a cheque drawn to order on which the payee's endorsement had been forged was liable to the depositor, irrespective of the bank's freedom from negligence.

When the public in general understands just what responsibility is borne by the banks in regard to cheques, the vast majority, who constitute the reasonable part of any community, will readily admit the necessity for adequate precautions, and can be depended on to co-operate.

Epidemic of Frauds

At the present time the country is pestered with a number of forgers who are operating in various sections. These have, unfortunately, been sufficiently successful to encourage further attempts, and one result will be a tightening up of the regulations as to identification in all of the banking institutions. Some of the schemes of these gentry are most ingenious. In one of the more recent frauds a man of rather good appearance presented a cheque for a fair amount at the counter of one of the branch banks, and on being asked for identification, claimed to be a relative of one of the officials in a nearby plant, and suggested that they call him up for confirmation, giving the telephone number. The accountant, with visions of a new account, foolishly called up the number without verifying it, and was answered by someone claiming to be the party asked for. He obtained a full and flattering description of the man who had presented the cheque. Later, the cheque was found to be fraudulent, and they are still looking for the payee and his confederate, and the unfortunate accountant has learned a somewhat expensive lesson.

PHOENIX ASSURANCE COMPANY, LTD.

Previous records of the Phoenix Assurance Co., Ltd., are shown to have been surpassed by that company in 1919, according to the annual report, given in detail elsewhere in this issue. Net premiums in the fire department totalled \$11,320,195, compared with \$9,970,775 in 1918. Net losses were \$4,812,610, a ratio of 42.5 per cent., against 44.6 per cent. in 1918. New life business to the amount of \$10,813,120 was issued, bringing in new net premiums of \$467,535. In the marine department net premiums totalled \$4,197,670, and claims, \$3,839,190.

The company has been doing business for 138 years, and in Canada its record extends over 117 years. The present managers in this country are R. MacD. Paterson and J. B. Paterson, of Montreal. Last year the net cash received for fire premiums totalled \$1,145,616, an increase of nearly \$100,000 for the year. The loss ratio was 43.16, or slightly higher than in 1918. New life policies were issued in Canada to a total of \$659,843, an increase of \$100,000, and the amount in force is now \$7,441,533.

The most notable event of the past year was the amalgamation of the Phoenix with the Norwich Union Fire, which took place on January 1st, 1920. As a result of this arrangement, Sir Gerald Ryan succeeds Lord George Hamilton as chairman of the Phoenix, and R. Y. Sketch succeeds the former in the position of general manager.

In his address to shareholders at the annual meeting, held in London on April 28th, the chairman, Sir Gerald Ryan, outlined the successful results in the various branches of the company's business. He also pointed out the important assistance rendered by the insurance companies in war finance by subscriptions to war loans and by the heavy taxes paid. This would not have been accomplished if insurance had been nationalized. "What would become of the vast volume of profitable foreign business if insurance were nationalized?" he asked, and continued to show how this foreign business reacted to the benefit of the nation as a whole. "I have ventured to lay before you these few personal reflections," he said, "in order that all who are concerned in our important branch of industry may give thought to the great damage that may accrue to many interests, private and public, by these unsound and ill-considered proposals."