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The services of this journal are offered through an inquiry column, which is open to subscribers and the public generally without charge, for detailed information or opinion as to financial or industrial affairs or institutions throughout the Province of British Columbia. Wherever possible the replies to these inquiries will be made through this column. Where inquiries are not of general interest, they will be handled by letter. We think that we can assure our readers that the opinions expressed will be sane and conservative, and that all statements will be as accurate as possible.

The function of a trust company, in so far as it administers and controls trust funds, has, in public opinion if not altogether in law, taken on the aspect of sacredness. Such has been the growth of the corporate trustee, and with such fidelity have its trust obligations been discharged, that the idea of misappropriation has been almost eliminated from the public consciousness. The shock therefore to the public of the Dominion Trust Company failure, and the disclosures made subsequently, strikes at the very roots of public confidence in fiduciary institutions that will take several years to restore.

Trust companies have failed from mismanagement, defalcation of trusted officials, bad judgment of officials and directors, and other causes. The investigation of those failures has shown the squandering of capital, the stockholders' money—in some cases the squandering of credits, the depositors' money; but in practically every case the trust funds and securities have been found intact, with temporary inconvenience the only effect of the failure.

But in the case of the Dominion Trust Company it is alleged that the trust funds and general funds were inextricably mixed in the bank account, and that trust funds and securities were converted and misappropriated to other purposes. The late managing director was given extraordinary powers, and what extraordinary uses he made of those powers is shown by the late Drayton report. The report of the liquidator, soon to be made public, will show more intimately some of the remarkable transactions that took place before the closing of the doors of that institution. While the action of the late managing director was undoubtedly highly criminal, we cannot understand how the directors can escape the charge of criminal negligence in the discharge of their duties and responsibilities as directors.

The opinion of Mr. Justice Murphy in his misfeasance decision holds most of the directors jointly and severally liable for the loss of trust funds that had occurred as a result of W. R. Arnold's control of the bank account; and so far, so good. But why charges against the directors have not been instituted for criminal negligence is, in our opinion, a neglect of a public duty.

It is with no sense of recrimination or revenge that we advocate criminal prosecution of the directors if there is sufficient grounds for the laying of informations, but the cry of defrauded beneficiaries of trust accounts is still to be heard in the land and across the seas; and if British Columbia law means anything, justice should be meted out to them.

We would deeply regret to see these directors go to jail if found guilty of these charges, and yet there are larger interests to be served in the public welfare than the personal consideration.

The main interests to be served are to restore the public confidence; to serve notice to the world that if the law of British Columbia is broken, either by negligence or overt act, that punishment will be administered, and also that directors will be taught the responsibilities and duties of their offices and the large and sacred obligations they assume in the discharge of their duties as directors of trust and other fiduciary institutions.

We had expected to hear of some investigation of the Dominion Trust Company's auditors. Some time in the spring of 1914, a financial statement of the company as at December 31, 1913, was sent to shareholders, who stated in essence that they had examined the affairs of the company, securities, etc., which were found to be in order, and that the statement submitted was, in their opinion, a true and accurate statement of condition, etc. It has been nowhere alleged that all the conversion and misappropriation of trust and other funds by the late managing director had occurred subsequent to December 31, 1913, and until mid October, 1914, the day the company closed its doors. If this be true, a proper examination of the books and accounts and securities would have disclosed at least some irregularities which the auditors, as servants of the shareholders and quasi-servants of the state, would be required to show in their report to the shareholders.

An investigation of the circumstances of this audit should be undertaken; and if a state of affairs is shown whereby the auditors or those responsible for the audit were cognizant of irregularities or malefactions of the law, and failed to disclose them in their report, then surely there is some way of dealing with such a condition of affairs. If it is shown that they knew of and did not disclose the criminal acts of the late managing director, the chartered accountancy societies of the Dominion and the Province should expel them from membership in pure self-defence of the profession of accountancy, and the Province should withdraw from them the privilege to practice in this Province.