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WOULD NOT HESITATE ON TAKING OVER HOME BANK AS REPRESENTED TO HIM, SAYS SIR THOMAS WHITE

Former Finance Minister Gives Evidence Before Royal Commission, But Serves Notice That He Will Submit That Neither Commission or Anybody Else Has Right To Make Finding on Discretionary Power of Minister Under Bank Act. Counsel, in Letter Written in 1916, Could Not See How Bank Could Continue.

Giving evidence yesterday afternoon before the Home Bank inquiry commission, Sir Thomas White made it clear that while willing to tell all he knows, and anxious that all the facts be elicited, he will contend that the commission or no one else has a right to pass judgment upon any action he took or failed to take under the Bank Act. He conceded that complaints were made about the condition of the Home Bank, and that these received his attention and caused him to demand reports from the bank authorities, but, he adds that the discretion of the minister of finance in such cases is "unfettered and unconditional."

Sir Thomas gives due notice to the commission that when the proper time comes he will submit that neither in the allegations set forth in the petition of the depositors demanding an inquiry nor on any other grounds, has it the right to make a finding in a matter where the discretionary power of the minister is not subject to review or variation by anybody.

A Self-Examination.

Sir Thomas' evidence yesterday afternoon consisted in a self-examination in chief. He re-read the various letters from the private file he produced at Toronto, and, en passant, commented on each. Apart from the claim mentioned as to the incapacity of the commission to review his discretionary action, he asserts that he did what the situation called for—that he ordered an inquiry when allegations were made about the bank, received a report in regard to them, and on the assurance of the reorganized directorate and the satisfaction expressed by those who had at first complained, took no action to close up the institution. "On the facts as submitted to me," he said, "I considered the bank was sound. It had a fine clientele, a good standing with the Roman Catholic community and others, and able men of capacity and integrity on its board. While at the time there were three accounts that might entail marginal losses, you don't close up a bank because it has a few weak accounts."

An Arresting Figure.

Sir Thomas is a figure almost as arresting on the witness stand as he was in parliament. He has the same self-confidence and assurance and note of authority. He appeared yesterday in the usual role of a witness who is his own advocate—properly defying the old adage of the character of a client under such circumstances. He pursued his own line of action, laid, in sequence, the foundational basis of his case, and, when it was completed to his liking, lay back, saying, in effect, now, "blaze away," "come on with your cross-examination." It will be proceeded with this morning.

At the outset, speaking from the counsel table, Sir Thomas said that at Toronto the commissioner had suggested that he (Sir Thomas) might have counsel. For the present he preferred to appear for himself, reserving the right to have counsel or personally address the court later. He wished to proceed with his own examinntion chief.

From the witness stand, Sir Thomas said he had looked over the file from 1916 down to the present time, and he proposed to comment upon each as he went along. He referred first to the confidential memorandum from James Fisher, on behalf of western directors. "I told him," said Sir Thomas, "that if the memorandum were left with me I could not regard it as confidential. I would have to take up the matter with the Home Bank.

On File Since 1916.

"That particular letter has been on the departmental file since 1916, contrary to the impression which has been created.

"It has been intimated in the petition," continued the witness, "that I simply referred the matter to Z. A. Lash, K.C. This is not correct. I wrote 'officially' to General Mason, manager of the bank, calling for a report upon the special loans in question. I made it clear that I was acting under section 1[illegible] of the Bank Act. Similarly I wrote to the auditor, Sidney Jones, under section 56 of the act." Sir Thomas referred to the exhibits as confirming his statements. He had proceeded strictly under the usage of the department. Later he had seen Messrs. Lash and Haney, and had told them to take further security from Pellatt and look further into the Prudential Trust Company. Haney was to do nothing without the consent of Lash, who was counsel for the bank. "I had confidence in Mr. Lash's integrity, and in his financial and legal ability. I did not engage Mr. Lash to look into the affairs of the bank generally, but into these particular accounts."

Warned Board Members.

Sir Thomas next told of an interview he had in February, 1916, with Messrs. Haney and Barnard. He produced a memo of what took place at the interview. The two gentlemen had said they had only recently gone on the board, and hoped it would soon be in a strong position. Sir Thomas said he warned them particularly about the Pellatt, Frost and Pellatt accounts, and advised that they must be careful not to impair capital by paying dividends. He next referred to a letter of James Fisher, of Winnipeg, on behalf of western directors, referring to the proposed investigation into the affairs of the bank.

"The suggestion," said Sir Thomas, "was that as the board was going to be reorganized, it would not be necessary to ask for all the information I required. I told them my duty was to the public and that I wanted the report as to the condition of these accounts. They could go ahead and reorganize, and I said they would be given every opportunity to place the bank on a sound business basis if possible—but I wanted the report and got it. It has been on the files since 1916."

Sir Thomas said he had regarded the Pellatt account at the time as "unliquid and too large." Referring next to a letter from Z. A. Lash, K.C., to him, dated March 16, 1916, stating that he had attended a meeting of the board, Sir Thomas cited the tone of its contents to show that "Mr. Lash was acting for the bank, not for me."

Organization in View.

A few days later there was a further letter from Lash, pointing out the re-organization which was in view: (1) Mason, the manager, was to get leave of absence; (2) Hi[illegible] was to be vice-president and de f[illegible] president; (3) MacHaffie was to be brought down from Winnipeg to [illegible]ronto to assume with Haney exe[illegible]tive control.

"I had entire confidence in the western directors," Sir Thomas said, "because it was they who had called my attention to these weak accounts. They were the only accounts of such a character I was aware of—although I believe reference was made to Barnard's account being cleared up. I had confidence in Haney because the whole board had confidence in him. Mr. Crerar was satisfied with the re-organization and against an external audit. I can understand it. He had regard to its effect on the bank." Sir Thomas next quoted a long, assuring letter from Haney as to the condition of the bank. The witness suggested that the commission should inquire into the demand and prices for lumber in 1916 (referring to the Frost loan). Prices were fabulous for such material in the war. "It was not a question of the amount owing, but the security. If the losses occurred on these three accounts—and these were all I knew of—they would only be marginal and not affecting the general stability of the bank."

Reason for Hesitancy.

Sir Thomas went on to say that he had hesitated to take up the matter of the bank's condition with the Bankers' Association because three reasons: (1) harmonizing of the board; (2) the letter from Crerar expressing satisfaction with the re-organization; (3) reluctance to take action likely to "bring down" the bank.

He proceeded to read extensively from the record wherein the bank had replied at length to MacHaffie's charges. "I believed these representations, which were said to be unanimous, from the board, many of whom I knew personally." Sir Thomas spoke highly of Haney, Gough and Casey Wood. He did not know Daly, but had heard of him as being a good organizer. Very often complaints about banks came from someone dissatisfied with the management. The custom was to get the board's reply. In this particular case he had asked for a special return.

Depended on Security.

His opinion about capitalizing interest was that it depended upon security. If the security were abundant instead of being doubtful, it could properly be so treated. He had specifically asked Haney and Barnard to look into the value of the Frost security and refrain from capitalizing interest on this property and the New Orleans until such time as these accounts were cleared up.

Sir Thomas seemed anxious to review the record and read again practically all of the private bill submitted at Toronto on Tuesday. He supplemented it with newspaper interviews he had given at the time of the failure of the bank. Incidentally he remarked that, though pressed for months to publish Mr. Crerar's letter to him, he had declined to do so because it was personal, even though failure to publish had caused him (the witness) to be placed in a false position.

Minister's Discretionary Power.

He gave notice, which later on he repeated, that he would stress the point that the discretionary power given the finance minister under the Bank Act is "unfettered and unconditional," and subject to no review.

The crux of his view was that the bank was sound, had a fine clientele, a good standing with the Roman Catholic community, and had some able men of integrity on its board. While conceding that certain accounts might entail marginal losses, he added:—

"You don't close up a bank because it has a few weak accounts. If I had been a banker, on the statement before me—I do not say it was really accurate, but as it was made to appear—I would not have hesitated to take over the bank with its business and clientele."

At this stage Sir Thomas announced he had finished his self-examination in chief, and invited the fullest cross-examination, but counsel for the depositors suggested it be deferred till this morning. The commission rose.

The Morning's Proceedings.

"The amount locked up indefinitely in four large accounts is probably three times the paid-up capital, and more than half the total deposits, and if anything should take place which would cause a comparatively small percentage of the depositors to ask for their money, I do not see how the bank could, without assistance from outside, continue with open doors."

The above is an extract from a letter written by Z. A. Lash, K.C., counsel for the Home Bank, to James Fisher, K.C., of Winnipeg, representing the three western directors of that institution, on February 29, 1916. The letter was read by W. T. Lee, counsel for the depositors when the investigation was resumed at the morning session.

"I told Sir Thomas White that my main object since I learned in outline what the bank's position was, has been to bring about a position which if the worst happened would result in liquidation with open doors," the letter continues. "This can only be brought about by the asssitance of other banks."

Hearing of Directors.

The production of the letter was the feature of a brief sitting of the royal commission this morning in the course of which it was pointed out by counsel for the depositors that if the trial of the Home Bank directors was proceeded with in Toronto on Monday next, their evidence could not be taken by the commission at present. Discussion of this point was delayed pending receipt of definite information as to when the trial of the directors is to take place.

Commissioner McKeown informed counsel that it was desirable to proceed as rapidly as possible in order that the material gathered should be available for the banking and commerce committee of parliament.

It was announced that Sir Thomas White would appear for examination this afternoon.

To Perfect Accounts.

"Among other things, I told him that we were endeavoring to perfect certain securities which we were taking from Sir Henry Pellatt, and that it was very important that nothing should occur to prevent this being completed. He understood, and said he would endeavor to avoid precipitating matters as far as he could," states Mr. Lash's letter.

"I am writing Sir Thomas today and telling him that I hope that Pellatt's securities will be completed this week, and that so soon as Mr. Haney returns I will ask to have a meeting of the board called, in order that I may explain the whole position, including the substance of your letters to Sir Thomas White, and ask for definite instructions upon the all-important matter of having a thorough examination of the bank's position made by an independent competent person not connected with the present management.

Doubted Continuance.

"The more I consider the bank's position, even assuming that every account will ultimately be collected in full, the more doubtful I feel as to the possibility of its continuing in business.

"The amount locked up indefinitely in four large accounts is probably three times the paid-up capital, and more than half the total deposits, and if anything should take place which would cause a comparatively small percentage of the depositors to ask for their money, I do not see how the bank could, without assistance from outside, continue with open doors.

Needed Outside Help.

"I told Sir Thomas that my main object, since I learned in outline what the bank's position was, has been to bring about a position, which, if the worst happened, would result in liquidation with open doors. This can only be brought about by the assistance of other banks, and I want definite instructions from the board as to how far I may go in this direction in consultation with Sir Thomas White, for he is now an essential element in the situation which cannot be disregarded. He told me, and I could not dispute the correctness of his position, that, after you, on behalf of the Winnipeg directors, had submitted to him information, which, to say the very least, was very disturbing, the responsibility was thrown on him, which he could not avoid, and which would not be discharged because those who had invited his intervention might desire him to withhold further action. The statements relating to the three accounts about which he asked for further information were sent to him on the 22nd or 23rd.

"Faithfully yours,
(Signed) "Z. A. LASH."

Sent to Directors' Counsel.

A. J. Browning, one of the depositors' counsel, notified the commissioner that letters had been sent to the counsel for the directors informing them of the resumed hearings of the commission in Ottawa.

Counsel for the depositors asked for a copy of the report of George Edwards, of the Finance Department, recently completed.

Eugene Lafleur, K.C., counsel for the government, pointed out that the report was now in the hands of the government and whatever information was in the report would be brought out in evidence when Mr. Edwards was examined.

Mr. Lee drew the attention of the commissioner to the fact that if the trial of the directors was to proceed in Toronto on Monday, it might be impossible for the counsel for the depositors to present their evidence as they would like to.

Mr. Lafleur said he was expecting a telegram with information about the trial.

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