

(R. S. C. ch. 29, sec. 30) for the issue by the Receiver-General, from time to time, on application of the Auditor-General, of credits on the several banks authorized to receive public moneys, in favour of the proper officers of the several departments, for sums voted by Parliament, payment of which has been authorized by warrant of the Governor-General. These credits, during the period covered by the Martineau forgeries, took the form of letters authorizing the bank to honour cheques, not exceeding in the aggregate an amount specified, to be signed in the case of the Militia Department by Lieutenant-Colonel Pinault, the deputy minister, and Mr. J. W. Borden, the accountant. . . . On receipt of these letters of credit or authorization, the amount therein stated was placed to the credit of an account known as the Department of Militia letter of credit account, but no corresponding debit entry was then made in the Receiver-General's account, nor were cheques drawn against this letter of credit account on payment debited to the Receiver-General's account, but only to the letter of credit account itself. At the end of each month, upon a statement of all cheques being furnished to the Auditor-General, and a duplicate of such statement to the Receiver-General, the latter, on request of the Auditor-General, who is required first to satisfy himself of the correctness of such statements, causes a cheque upon his account to be prepared, signed by himself and countersigned by the Auditor-General . . . to reimburse the banks for advances made under such credits: sec. 30 of the Audit Act. Upon receipt of this reimbursement cheque, the amount covered by it, and theretofore charged only against the letter of credit account, is debited by the bank in the Receiver-General's account. . . .

On behalf of the third party banks it is contended that the present action against the Bank of Montreal, brought to recover moneys of His Majesty wrongly paid out by that bank, must fail because the bank have never received reimbursement cheques covering the amounts of the forged cheques, and therefore have not paid out His Majesty's moneys, but have advanced their own funds. The defendants have in fact charged up the amount of the forged cheques in the Receiver-General's account, and refuse to account to him for such moneys. . . . In substance, the question for determination is the same whatever be the appropriate form of relief; and that question is whether, as against the Receiver-General representing His Majesty, the Bank of Montreal are entitled to claim credit for the moneys paid out on the Martineau forgeries. . . .