

THE FARMERS' LOAN AND SAVINGS' COMPANY Y

In our notice of the collapse of this company, we pointed out that a grave discrepancy existed between the statement of its real estate held under power of sale in one year and the foreclosure of a later year. Under circumstances existing in Toronto, such a remarkable redemption of doubtful loans as was indicated seemed to us incredible. Unfortunately, an investigation of the books and vouchers of the Farmers' Loan Company has disclosed such a state of affairs as is indeed deplorable. A systematic mortgage's account register has never been kept. The amount of profits made in each year were not drawn from data in the ledgers in the way generally adopted by these companies, which though differing in details is substantially the same. But the plan was to take the capital and other resources of the company and assume that they had realized 6 or 7 per cent. throughout the year. In plain English, the profits of each year were guessed at, and dividends were paid which were based upon such a mere assumption. As the President was a shrewd lawyer, having exceptional experience in handling properties, and was the legal adviser of a remarkably successful bank, and as several of the directors were good business men, such looseness in the account-keeping of the Farmers' Loan is almost incredible. In the honesty of the Manager there is every confidence. The Board made a fatal mistake, however, in having not a single official on the staff who had been trained under an experienced manager of a mortgage loan and savings' company. Economy seems to have been the dominant policy, not efficiency. The auditing was done in the most perfunctory manner; very much more seems to have been assumed than the amount of annual profits. The imperfect system of book keeping should have been reported to the Board, and a conference asked for to explain defects, and suggest needful improvements. As the Auditor is put on duty in the interest of the shareholders, it was his duty, if the Board refused to listen to his protests, to make a report to the annual meeting. To have such a company going on for years without any system of recording mortgages, of keeping a detailed account of each one, of charging and crediting interest payments, of keeping a strict account of deposits paid and withdrawn, and no plan whatever of ascertaining the profits of the business; all this seems like a bad dream, as such conditions are so wildly irregular. No wonder there has been no proper balance-sheet drawn off from the books for many years. No wonder either that advances were made as loosely as the accounts were kept. This is the first scandal which has taken place in Canada in connection with loan and savings' companies, which have been operating in the Dominion over 23 years without a stain. The question now is, how do the depositors, shareholders and debenture-holders stand? There is little to fear for the depositors, and the bond-holders will proba-

bly be paid. If the properties held ran out at the value they were reported at when mortgaged there would be ample for all liabilities. But this is the cloud over the prospects of the Farmers' Loans, as many of its loans were made on inflated and unrealizable valuations, on valuations which it is well known to us were regarded by other loan companies as utterly unsound. Bad account-keeping would not of itself ruin a company, though most reprehensible and, we believe, quite exceptional in loan and savings' companies. The Farmers' Loan and Savings' Company owes its collapse to exceedingly bad judgment in lending money on "boom" valuations.

A POLICY ASSIGNMENT CASE.**LAVENDER VS. THE NEW YORK LIFE ASSURANCE COMPANY.**

The following case was recently heard before the Lord Chancellor and three other judges sitting in the Court of Appeal, London. The circumstances are somewhat out of the ordinary, the policy in question having been one taken out by a wife on the life of her husband. The case as reported in *Banking and Insurance* appears to have been an appeal from the decision of the Master of the Rolls. Mrs. Lavender effected on the life of her husband, in 1885, with the New York Life Assurance Company, a policy for £1,000, payable in ten years. One of the conditions of the policy was that the amount insured was to be paid to Mrs. Lavender in the event, which happened, that both she and her husband were alive at the expiration of the ten years. In 1892 Mr. Lavender deposited the policy with Messrs. Moorehead and Douglas to secure an advance of money, and a letter was then signed by Mrs. Lavender authorising the deposit, but the terms of the policy included a clause that it should not be assignable. Mr. Douglas subsequently assigned his interest in the policy to the Ulster Bank to cover advances. Since the policy became payable, the company lodged the amount, £1,250, in Court. The bank and Mr. Douglas sought payment in respect of their debt, amounting to £800, and the assignees of Mr. Moorehead applied to rank in the same priority for £340. The Master of the Rolls held that the deposit was a valid lien, and ordered payment out of the moneys to the parties claiming. From this decision Mrs. Lavender appealed, contending that the effect of the clause against assigning was a restraint against anticipation fastened on her estate as a married woman.

The Court unanimously decided that the statement on the policy that it was not assignable acted as a restraint against anticipation, and that the wife could not deal with it during its continuance. The two notices making claims in respect of the document should, therefore, be disallowed. The case should be referred back to the Master of the Rolls, where Mrs. Lavender would have to show that her title to the money which accrued in 1895 on the expiration