

Moratorium and the Government Proposal

Conditions Occasioning the Proposed Act—Narrow Limitations For Its Operation—Hope That It Will Not Be Extended to Include Interest on Mortgages.

Recent remarks by the Premier, and a more extended statement by the Attorney-General in a speech at Nelson on the occasion of his recent trip to the Boundary country, has again directed the attention of the financial public, and especially mortgage loan interests, to the subject of Moratorium. Shortly after the outbreak of war a declaration of moratoria was discussed and advocated by a number of people who thought that it was the only means of saving the financial and commercial situation. At that time the Government was appealed to to declare some sort of a moratorium to protect debtors from the compulsory payment of claims against them. In this the Government refused to take action on the ground that it refused to be stampeded into taking hasty and perhaps ill-advised steps in this direction when the conditions were not sufficiently aggravated to demand such steps being taken.

Since that time several more or less serious failures have occurred, which have involved a large number of individuals, some of whom are in actual distress, and most all are placed in very straightened circumstances. The failure of the Dominion Trust has acted most severely on the general public. The causes of the present situation in realty, however, lie deeper, and are directly attributable to the realty speculation which was so rampant three years ago. Time had not yet arrived for the complete readjustment to conditions approaching normal, when a shortened wheat crop and dull business in British Columbia would have accelerated the downward movement, with consequent distress this winter, war or no war. To aggravate the situation war did break out, and many debtors have set up this extraordinary situation as a reason for the escape of their just debts.

The failure of the Dominion Trust Company particularly has caused suffering among those individuals caught within the meshes of that failure, and that with the withdrawal of practically all funds for mortgage purposes has made it almost impossible to place a new mortgage if for some reason or other the old mortgagee should want his principal when due.

Practically all the institutions that handle funds for investment on mortgage, including the loaning agencies, have acted with commendable forbearance and judgment in regard to maturing loans. Wherever possible, and where the mortgagor was capable of paying off the loan, these institutions wanted the loans paid off. If this situation could not be met, they had no objection to renewing the mortgages for either shorter periods or for the full term. The financial conditions making it impossible to borrow elsewhere, the situation that confronted the loan companies or their agencies was either that they must renew or take legal steps to foreclose. The latter alternative has not been availed of except in unusual circumstances, as, for instance, in cases where the mortgagee had to take such steps in order to protect his security. It is probably safe to say that not five per cent. of the mortgages maturing since the outbreak of war have been disturbed.

But these loan institutions have been more stringent on the subject of interest on mortgage. They have brought considerable pressure to bear to make payments of interest promptly, and to insist on the payment of taxes on properties wherein they were concerned. Here again the exceptions are numerous, and many a man is in possession of his home or other property who has in good faith shown his inability to meet his interest promptly.

While it is true that there has been no alarming increase in writs issued for purposes of foreclosure, it is also true that on the part of some individuals steps are being taken to take advantage of the situation to foreclose on property, which in these times has not a normal market, to get title to property at much under inherent values. It is to cases of this kind that the proposed measure of moratoria is directly aimed.

Although nothing definitive has as yet been determined on, so far as this journal is able to ascertain, the proposed legislation will take the form of giving plenary or discretionary powers to the Justices of the Supreme Court to give relief by way of time to cases involving payments on land, agreements for sale, principal of mortgages and interest on mortgages.

The method of operation will be somewhat as follows: Whenever a mortgagor or debtor, on the score of the above-mentioned particulars, is threatened with foreclosure, he may apply to a Supreme Court Justice, at small expense, for examination as to his liability to meet his obligations. Upon proving to the satisfaction of the Court his inability, and his worthiness of receiving relief, the Court may at its discretion extend the time of payment to some future date set by the Court. During the period of that time the debtor shall be free from legal actions instituted against him for account of these overdue payments.

The Government will ask for authority from the Legislature at the next session to proclaim by Orders-in-Council and to terminate in the same way a remedial Act of this character. The fact that such authority is given the Government does not mean necessarily that the Act will be proclaimed. It is contingent on a continuance of the present unsatisfactory conditions in the realty field or more aggravated conditions obtaining. The Attorney-General in his speech in Nelson concluded his remarks on this subject with the following words: "But we hope that conditions will soon improve, and that the necessity for such legislation will pass away."

The Government is certainly to be commended for the very modest authority it asks for, and for the very limited moratorium it will seek to enact. The consensus of opinion as elicited by a canvass of a large number of the loan institutions and agencies, both in Victoria and Vancouver, is that the proposed measure will do the least amount of harm, and might be the means of administering some much-needed relief, provided that—and this is unanimous—the matter of interest on mortgages is not brought within the scope of the proposed Act. To bring interest on mortgages within the provisions of this Act would bring hardship on a new class of individuals, those who are in many cases dependent for their living on the income derived from this class of investment. It is a vastly more serious proposition to say to a mortgagee that not only shall you not have your principal though due, but also that you shall not have your interest on the principal of your investment. To deny the legal right of a person to get his principal is an inconvenience—sometimes slightly worse than that. To deny interest or