

MINUTES OF EVIDENCE

THE SENATE,

OTTAWA, Wednesday, May 22, 1946.

The Standing Committee on Banking and Commerce to whom was referred Bill A-5, an Act respecting Bankruptcy, met this day at 11 a.m.

Hon. Mr. FARRIS (Acting Chairman) in the Chair.

The Acting CHAIRMAN: Mr. Reilley, the last time you were here you dealt with the question of decentralization, and we will secure that from you in more detail later. Do you recall what further headings you dealt with?

Mr. W. J. REILLEY, K.C. (Superintendent of the Bankruptcy Act Administration): I mentioned the intended changes in regard to compositions.

The Acting CHAIRMAN: Part II of the bill.

Mr. REILLEY: Yes, beginning with section 11.

The Acting CHAIRMAN: This is so important, gentlemen, that I think we had better start all over again.

Hon. Mr. HAIG: All right.

Hon. Mr. MORAUD: I suppose you will have a certain number of copies of this report printed?

The Acting CHAIRMAN: Perhaps you would make a motion.

Hon. Mr. MORAUD: I would make a motion that a thousand copies of the proceedings be printed in English and four hundred copies in French.

The Acting CHAIRMAN: Are you agreeable, gentlemen?

Some Hon. MEMBERS: Carried.

The Acting CHAIRMAN: Part II, Mr. Reilley begins at page 13 and runs to page 24. It deals with composition, extension or scheme of arrangement. You might state to us what are the existing factors as to compositions and then give us the essential changes.

Hon. Mr. ASELTINE: Would this be similar to the provisions of the Farmers Creditors' Arrangement Act?

Mr. REILLEY: In some respects.

Hon. Mr. ASELTINE: That is the objection that most of us have to the proposed changes.

Mr. REILLEY: The present law is that a proposal for composition can only be made after bankruptcy occurs. Originally when the Act was passed in 1919 a composition could be offered before bankruptcy by any man in financial embarrassment. He could get his creditors together, and if the proposal was approved it went to the court, and then it became binding on all the creditors. That was eliminated in 1923 by reason of the fact that there was so much dishonesty connected with these proposals, with no method of checking up or appraisal to find out whether they were fair or not. So after that time if a man wanted to make a proposal to his creditors he had first to go into bankruptcy. I think all of you know that bankruptcy of itself almost inherently depreciates the possibility of a proposal going through. At once bankruptcy depreciates a man's assets by a very considerable percentage, and consequently when it gets to that stage the possibility of making a proposal and getting it through is much less, and also his own chances of carrying the proposal through have been very much affected.