

1-1924/1-31-12

Copy 1.

# ROYAL COMMISSION

TO ENQUIRE INTO AND REPORT UPON AFFAIRS OF THE

# HOME BANK OF CANADA

And in the matter of the Petition of the Depositors  
in the said Home Bank of Canada

---

COMMISSIONER:

The Honourable Chief Justice McKeown

---

OTTAWA, FRIDAY, MAY 9, 1924

---

No. 12

OTTAWA  
F. A. ACLAND  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1924

## CANADA

IN THE MATTER OF A COMMISSION appointing the HONOURABLE HARRISON ANDREW McKEOWN a Commissioner to enquire into and report upon affairs of the HOME BANK OF CANADA.

AND IN THE MATTER OF THE PETITION of the Depositors in the said HOME BANK OF CANADA.

Before the Honourable Chief Justice McKeown, the above named Royal Commissioner, at Ottawa, on Friday, the 9th day of May, 1924.

*Counsel:*

EUGENE LAFLEUR, K.C., and H. J. SYMINGTON, K.C.,  
*for the Government of the Dominion of Canada.*

R. J. McLAUGHLIN, K.C., A. G. BROWNING, K.C., and W. T. J. LEE,  
*for the Depositors.*

McGREGOR YOUNG, K.C., *for the Attorney-General of Ontario.*

R. A. REID, *for certain shareholders (opposing the double liability).*

The Rt. Hon. W. L. MACKENZIE KING, sworn.

*Examined by Mr. Lafleur:*

Q. Mr. King, did you ever have any connection with the Home Bank, officially?—A. Officially, no, sir.

Q. You had, I think, an interview with the Directors or officials, of the Home Bank of Canada two or three days before it closed its doors?—A. I had an interview with one of the Directors, yes, sir.

Q. Do you remember the date when the bank closed its doors?—A. Yes. I understand it was the 17th of August.

Q. That is right, the 17th of August, 1923. Was it shortly before this that you had the interview in question?—A. It was three days before that.

Q. Here in Ottawa?—A. Yes, the night of the 14th.

Q. Will you tell us what happened at that interview?—A. I think it would be about ten in the evening I received a phone call from one of my colleagues mentioning that Mr. F. M. Stewart of Toronto was in the city, and had been in conversation with Mr. Robb, the Acting Minister of Finance at the time, stating there were one or two matters of grave concern which it was thought I should know about at once, and I was saked if I could see Mr. Stewart together with one or two of my colleagues that evening.

I replied that I would be very pleased to see them at my house, and at eleven o'clock, or thereabouts, Mr. Stewart came to the house, on the corner of Laurier Avenue and Chapel Street, with Mr. Robb, the Honourable Mr. Graham, and, I think, the Honourable Mr. Low.

Mr. Stewart then, in the presence of the others, mentioned to me that the Home Bank was in great difficulties, that probably in the course of a day or two it might have to close its doors should there be a serious demand on it, and that

he had come to place the situation before the Government. He said he had consulted with Sir Thomas White in Toronto, and that Sir Thomas had advised that he should see the Government, and also the Canadian Bankers' Association, and place the facts before them. When I say that he should see the Government, I am not sure that it was Mr. Stewart himself, but some officials of the bank.

When he had outlined the situation, I asked him what it was that he wished to place particularly before the Government. He said he had come really to find out if it would not be possible for the Government to make a deposit with the bank which would enable them to meet any demands that might be made upon it within the next day or two. I do not remember what amount he wanted, but, as I recall it at the moment, it was a fairly large amount.

I gathered that either overtures had already been made to the Canadian Bankers' Association or were about to be made, and that the Home Bank authorities were very anxious that this deposit should be made at once, so as to give them time to confer with the Bankers' Association to avoid the possibility of the bank having to close its doors immediately.

Q. Do you recollect whether he mentioned the amount of deposit which would be necessary in order to enable the bank to tide over its difficulty?—A. I do not recall the exact amount. The impression left on my mind was that it would require a very considerable sum, and I was aghast when the suggestion was made, and immediately said that the circumstances which he had mentioned were sufficient in themselves to make it impossible for the Government to consider for a moment transferring any of the public funds into the Bank's treasury, that that could not be considered.

Then Stewart was anxious to know whether the Government would lend its good offices to have the Bankers' Association do something to help in the situation. I intimated that anything we could do in that way we would only be too glad to do, that if there was any service the Government could render, which was right and proper, that would help to avoid the possibility of the bank having to close, we would only be too ready to do whatever was in our power in that regard, and, as a result of that discussion, it was arranged that Mr. Robb should leave the next day for Montreal, Mr. Robb being Acting Minister of Finance at the time. Mr. Fielding, I think, was in the Maritime Provinces. He was not in the city at any rate, so it was arranged that Mr. Robb would leave the following day for Montreal so as to be in Montreal when representations were being made to the head offices of the Canadian Bankers' Association, in order that if there were any representations which the Bankers' Association wished to make to the Government they could be made immediately and without loss of time.

We wished to be prepared, if there were any suggestions which the Bankers' Association might wish to make to us, to consider them at once, and we were also anxious that the Bankers' Association should know that the Government would appreciate anything which they might find it in their power to do to help to meet the situation.

I think that covers all.

Q. That covers all your personal connection with the matter?—A. Yes, sir.

Q. Do you know if the bank officials, or Directors, went to Montreal to see the officials of the Bankers' Association?—A. Well, I am informed that Mr. Casey Wood and Mr. Gough came to Ottawa the following morning. Mr. Stewart, I think, came down by the day train on Tuesday, and the other gentlemen came, I believe, on the following morning. They went on, I understand, to Montreal, to see the Bankers' Association.

Q. But did you, or the Government, receive any suggestions, or intimation, from the Bankers' Association, or from the officials of the Home Bank of Canada, after that interview which you have described?—A. None that I know of, no.

Q. And no executive action was taken in consequence of this?—A. No, sir.  
Mr. LAFLEUR: That is all I have to ask you. Thank you.

*Cross-examined by Mr. McLaughlin:*

Q. Did Mr. Stewart furnish you with any statement as to the condition of the bank at that time?—A. No written statement. Mr. Stewart's representations were simply verbal, wholly verbal I should say.

Q. Did you understand from him how badly insolvent the bank was?—A. Well, I gathered that the condition was very bad, yes.

Q. He did not say how bad, or how much their shortage would be, did he?—A. At this date my recollection of exact figures is not very clear, but I can give the impression that was made on my mind at the time, and it certainly was that the situation was very critical, very serious.

Q. The shortage was very great?—A. I gathered that, yes.

Q. Still, they were willing to continue in business?—A. When I say the shortage was very great, I was led to believe that if demands were made on the bank the next day and day following they might not be able to meet them.

Q. Did you understand they were insolvent?—A. Well, that is the way in which the matter was presented.

Q. Yes, that is what I understand. Still, they were willing to go on doing business and take in fresh deposits?—A. Well, they apparently had not closed their doors up to that moment. I think if the Government had given them a deposit, they would have kept on, providing they could have arranged to do so.

Q. They would have gone on taking new money with a knowledge of insolvency. What they were really asking you was to assist them in doing that?—A. Well, I know the request which was made to me seemed an impossible one to consider.

Mr. McLAUGHLIN: That will do.

*Cross-examined by Mr. Lee:*

Q. Just one moment, Mr. Premier. When did you sail for the Imperial Conference?—A. About the middle of September, I think.

Q. I thought it was a few days after this episode?—A. No, it was not until nearly a month after.

*Cross-examined by Mr. Reid:*

Q. Mr. King, have you any recollection at all as to about the exact amount that was asked that evening at your house?—A. No, I cannot tell you.

Q. Would it be five million dollars?—A. I cannot tell you.

Q. Well, a large amount of money of that nature would make some impression on your mind. Would it be between five million and ten million dollars?—A. I cannot tell you.

Q. Surely a person asked to put up a large amount of money ranging from five million dollars to fifteen million dollars would have some recollection of the amount, or near the amount. I do not want the exact amount.—A. Well, the circumstance that impressed itself upon my mind was the fact that the bank might not be able to meet the demands upon it within the next day or two, however large or however small they might be, and that the Government was being asked to make a deposit of public funds to meet a situation of that kind. Now, I did not consider the amount; I looked at the principle of it, and considered it was impossible to entertain any idea of any amount, large or small.

Q. It was of such enormous proportions that it appalled you at the time?—A. If it had been of small proportions, having been told what I had been told about the condition of the bank, I would have felt the Government would not be justified in using public funds for purposes of that kind.

Q. Is there any correspondence on file in relation to the negotiations leading up to this interview?—A. There were no negotiations leading up to the interview that I know of.

Q. Were there any telegrams or letters passed between the Dominion Government and the Home Bank a few days before the Directors came to the city?—A. I do not know of any, the first intimation I had that the Home Bank was in any critical condition was when the matter was revealed to me by Mr. Stewart at my home that night.

Q. At ten o'clock?—A. About eleven on Tuesday, the 14th.

Q. That night in the interview at your house at 11 o'clock you say Mr. Stewart came there with the Hon. Mr. Robb and the Hon. Mr. Graham and Hon. Mr. Low?—A. Yes.

Q. Were any of the other Directors of the Home Bank present at that meeting?—A. No.

Q. None whatever?—A. No.

Q. As a result of that meeting you say it was arranged that the Hon. Mr. Robb and the Directors of the Home Bank who had arrived in the city should go to Montreal and see the Bankers Association?—A. As far as our arrangements was concerned it related only to Mr. Robb, we understood they had already made arrangements to see the head officers of the Bankers Association, and we arranged that Mr. Robb would be in Montreal at the same time and that he should let Sir Vincent Meredith know that he was there so that if there was any representation which he wished to make to him he would be at hand immediately to receive it.

Q. Who made arrangements with the Bankers Association at Montreal for the interview?—A. That I do not know, I understood that had been planned or arranged simultaneously with the arrangement for Mr. Stewart to come to Ottawa. I gathered this, I am not quite clear on it but my present recollection is that we were given to understand that the Bankers Association had already been approached in Toronto through one of its officers there, and that arrangements were being made for an interview in Montreal.

Q. The reason I ask for these details about the Directors is that as I call it "the Campbells commenced to come to town," according to the register at the Chateau Laurier, on August 14th, 1923. On Tuesday Mr. J. F. M. Stewart arrived, and on Wednesday the 15th, Mr. and Mrs. R. P. Gough registered at the Chateau, and on Thursday, August 16th, 1923, W. S. Calvert, I think he is the Assistant General Manager. You say that in addition to those Directors Mr. Casey Wood was here. And who else?—A. I am so informed, I have no direct knowledge of it because I did not see him.

Q. Then what Directors of the Home Bank did you personally come in contact with and have an interview with?—A. The only person was Mr. Stewart.

Q. And that was?—A. On the night of Tuesday the 14th.

Q. Then on Wednesday 15th of August, 1923, was there a meeting of the Dominion Cabinet?—A. My recollection is that there was.

Q. At what time of the day was that meeting held?—A. I think we met in the morning.

Q. You were there?—A. I was.

Q. What other Members of the Cabinet were there?

Mr. LAFLEUR: (Object-).

Rt. Hon. MACKENZIE KING: I have taken an oath as Privy-Counsellor to disclose nothing that transpires in the Cabinet.

Mr. REID: I am not asking about anything that transpired, I want to know who was present?—A. I could not say, I do not know, and I do not know that it would be proper for me to say if I did.

Q. Did the Directors of the Home Bank come to that meeting of the Dominion Cabinet?—A. No.

Mr. LAFLEUR: I respectfully submit that it is not proper to ask the Prime Minister what occurred at a meeting of the Cabinet.

His LORDSHIP: I think not.

Mr. REID: If that be so then we cannot get the real facts.

Mr. LAFLEUR: You can get them from the Directors.

Mr. REID: I want to show that the Dominion Cabinet met the Directors of the Home Bank as a Government on Wednesday.

Rt. Hon. MACKENZIE KING: I may tell you that we did not meet them, that the Directors did not come to that meeting of the Cabinet.

Mr. REID: Did the Directors of the Home Bank meet the Members of the Dominion Government as a Government at any time?—A. No, not that I am aware of. Certainly not.

Q. None of the Directors of the Home Bank?—A. Met the Government as a Government, certainly they did not.

Q. At the meeting of the Dominion Cabinet on that Wednesday morning of August 15th—

His LORDSHIP: You understand my ruling, that nothing that took place in council can be asked about. It is wholly contrary to the obligations of a Councillor to say anything about what took place.

P. Hon. MACKENZIE KING: A Minister of the Government, Mr. Commissioner, is sworn not to disclose anything that takes place in the Cabinet.

Mr. REID: I understand that is the ruling, but where there is a matter of such great public importance as this it is important for the public and the shareholders and depositors to know what took place.

His LORDSHIP: You need not argue, it will be excluded, I have a very strong feeling about it.

Mr. REID: Does your lordship also rule that Mr. King is not allowed to tell us who was present at a meeting sitting as a Cabinet.

His LORDSHIP: I do not think that would be admissible.

Mr. REID: There is a record of the attendance.

His LORDSHIP: Perhaps you can get it some other way, but nothing that took place in the Privy Council would be admissible. I remember having that same question before me in connection with Mr. Fleming's investigation at the time when his acts as Premier of the Province were challenged. It was sought to be shown that certain things had taken place in the meetings of the Government, it did not seem to me then to be admissible and it does not now.

Mr. REID: Then on the night of August 14, 1923, when you had this interview at your house with Messrs. Robb and Graham and Low, I suppose in the ordinary course the result of that interview would be placed on record in the files of the Government.

Mr. LAFLEUR: That is objectionable also.

His LORDSHIP: The Prime Minister has told us all that took place there, you know.

Rt. Hon. MACKENZIE KING: There was no record kept of it, I made no record and there was nothing placed on file as a result of it.

Mr. REID: Did you bring it to the attention of the other Members of your Government?

Mr. LAFLEUR: That is objectionable, also.

His LORDSHIP: I do not think you can proceed any further.

Mr. LAFLEUR: I do not think my friend should try indirectly to get around your lordship's ruling.

Mr. REID: I am not, I respect the ruling, but I simply ask if as a result of that interview he brought the matter to the attention of his Government. I do not want to know what he said.

Mr. LAFLEUR: That is asking what happened at a Cabinet meeting. If the communication was made at a Cabinet meeting it is an official secret. I also ask what this can possibly have to do with the depositors' case.

Mr. REID: If Mr. Lafleur wishes to know, my object in asking these questions—

His LORDSHIP: Notwithstanding Mr. Lafleur's question I do not know that it is worth while putting your object on record. I will rule on the questions as they come up, as to their admissibility or otherwise. You need not place any address on the record now. You can continue your questions if you see fit and I will rule as they are put.

Mr. REID: Then Mr. King, as the result of your evidence so far, Mr. Robb, the Finance Minister apparently would be the proper person to give us the full details of the interview at Montreal with the Bankers' Association.

Rt. Hon. MACKENZIE KING: You will have to draw your own conclusions.

Q. He is the only one who is able to give the real facts as to what took place there?—A. I cannot say, there may be others.

Q. Your Government took office in 1921, sometime in the autumn?—A. I think it was about the 29th of December, if I remember aright.

Q. And from 1921 down to the failure of the bank in 1923 the Government was in full possession and had full knowledge of all the facts concerning the Home Bank?—A. I do not know that, I think it is very doubtful. I am pretty sure it had not.

Mr. LAFLEUR: I do not know that we have it even at this date.

Mr. REID: I read to Mr. King from page 130 of the evidence taken on April 17, 1924, when Sir Henry Drayton was being examined. He says on page 131:—

“ Now I say frankly Mr. Fielding was very much concerned at what I told him about the Banque Nationale.

Q. About the Nationale or the Home?—A. One minute, we will get there in time. He was of the view that no Finance Minister should ever take such a risk.”

Rt. Hon. MACKENZIE KING: Perhaps I might interrupt here to say that I was talking with Mr. Fielding on Sunday and he takes very strong exception to Sir Henry Drayton's evidence in that particular. I think Mr. Fielding is of the opinion that Sir Henry Drayton did not make to him the representations which he said were made.

Q. What I was coming to is that from the evidence as we have it on record it appears that Sir Henry Drayton drew the attention of the Government to the condition of the Home Bank, drew Mr. Fielding's attention, before leaving the Department?—A. I think Mr. Fielding will say that is not correct.

Mr. SYMINGTON: That is a misstatement, there is no such evidence on the record that he ever drew his attention to any file or ever discussed the Home Bank, other than that he said to Mr. Fielding in discussing the Nationale that “ you may have to do the same thing with the Home Bank.” That is clear on the evidence of all parties, that Mr. Fielding's attention was never called to the file and there was nothing on the file to call his attention to.

A. Mr. Fielding so stated.

Mr. REID: "A—I told him I thought he would have to do with the Home Bank some day just what I had done with the Nationale. That is all, the complaints were there on file in the office." A.—That is very different from what you just said.

Q. I say that the files being in the office and Sir Henry Drayton having had that interview with Mr. Fielding, from the evidence it appears that Mr. Fielding was in full possession of all the facts sufficient to put him on inquiry at that date into the condition of the Home Bank.—A. Mr. Fielding told me at the last conversation I had with him a day or two ago that Sir Henry Drayton had not drawn his attention in the manner you have described, that his attention was never drawn by Sir Henry Drayton to the condition of the Home Bank, and no intimation given to him as to any communications on file in the Department. He said he would have written to the Commission in regard to the matter but he did not feel that the point was vital.

Q. Then the only interview you had, or the only time you saw the Directors of the Home Bank or any of them was that evening of August 14 at your house?—A. The only time I ever saw him in respect to any Home Bank matters?

Q. Any Directors of the Home Bank?—A. Yes.

Q. And you did not go to Montreal yourself?—A. No.

Q. And you had no communication yourself with the Bankers' Association?—A. No.

*Re-examined by Mr. Lafleur:*

Q. Do you know if any of the Ministers saw the Bankers' Association in connection with the affairs of the Home Bank?—A. I think Mr. Robb had some conversation with Sir Vincent Meredith.

Q. You have no personal knowledge?—A. No personal knowledge.

Mr. REID: If the Dominion Cabinet as a Government did see the Directors at any time it would be a matter of record, I presume?—A. I think I would know of it. I can assure you they did not.

His LORDSHIP: Any other testimony, Mr. Lafleur? Have you any other witnesses to call?

Mr. LAFLEUR: I have no further witnesses to-day, Mr. Commissioner.

Mr. REID: My lord, last evening, I saw Mr. Crerar in the rotunda of the hotel and I asked him if he would be good enough to come over for five or ten minutes this morning. I have a few questions I wish to ask him in relation to the depositors in the West. He said he might have a few minutes to spare although he intended going away this afternoon. He is not here, and I would like to ask permission to have him recalled, to ask him a few questions for five or ten minutes.

And in view of the evidence of Mr. King, would your lordship call the Hon. Mr. Robb, the Finance Minister, so that we can get the details of the interview with the Bankers' Association.

Mr. LEE: My lord, while I have not any objection, still I do not want to be here for two or three more days. I thought that Mr. Crerar's evidence had been exhausted, certainly as far as counsel for the depositors knew, and my learned friend I understood is acting for shareholders, he is not acting for depositors. We want to get our case concluded and it seems to me that we should not go on in this way, it is irregular.

His LORDSHIP: There are two branches of your motion, are there, Mr. Reid?

Mr. REID: Yes, my lord, first as to recalling Mr. Crerar, and second as to calling Mr. Robb. I just asked Mr. Crerar to come here this morning and he said he would, he did not object.



Mr. SYMINGTON: My learned friend should state carefully what Mr. Crerar said. He did not tell me that.

Mr. REID: He said he was going away this afternoon. If he does not come to submit to further questions at this sitting, or at some future time, we would have to subpoena him, and I do not want to do that. I thought he would come here. It is a matter of courtesy. And we would also like to get the evidence of Mr. Robb. There should be no objection to that. The public now know or will learn to-day from the press, the circumstances connected with this application for assistance. If we had Mr. Robb we would get the details. Mr. King gives us what he knows himself, but the real financial details of it were dealt with by Mr. Robb; he is the man who should be here, as Finance Minister, and surely there can be no objection to that. In fact, if he does not come it will create a far worse impression on the public mind than if he does come and frankly tell us facts.

Mr. LAFLEUR: I do not think that is an allegation that should be made. There has been no attempt on the part of any of the Ministers to suppress anything. Naturally one hesitates to disturb a Minister in the exercise of his public duties, unless it is absolutely necessary. I do not think we should ask Mr. Robb to come to-day; we should find out what is a convenient time for him. The Budget is being discussed now and he is the acting Finance Minister. I would suggest, if your lordship thinks we should get his testimony, that he should be asked whether he can attend on Wednesday next.

His LORDSHIP: Then I will leave that matter, of the request to the Minister to attend, to you and Mr. Symington as counsel for the Government.

Mr. LAFLEUR: We will see the Minister and report on Wednesday. If it is possible to examine him then, we will have him in attendance.

Mr. REID: Mr. Crerar is going away to-day and I would like to get his evidence.

His LORDSHIP: Mr. Crerar apparently has not come. You asked him to come.

Mr. REID: I do not see what the objection is. I asked him in a courteous way, in the rotunda, and he said he would come if he had time to spare, he was going away in the afternoon. I said it would only take five minutes. I went to see him this morning about nine o'clock, but he had gone out. I do not want to delay the Commission a moment, as I would like to get away to-day myself.

Mr. SYMINGTON: Mr. Crerar saw me last night and told me of this conversation with Mr. Reid. He said he had an appointment in New York and he was leaving to-day and was very busy. I asked him what Mr. Reid wanted to examine him on, and he said he did not know, that he thought he had told everything he knew. I said that the Commissioner has already decided that we are going to deal only with the depositors' case and has set this morning to hear the Prime Minister, and Wednesday for the argument; I will take it up with him in the morning and see if he desires to open up any other branch of the case. Now that is the situation as it stands. Mr. Reid certainly did not suggest to me any questions whatever which related to the depositors case when he spoke to me last night, and I think when Mr. Reid suggests that he asked the courtesy of attendance from Mr. Crerar, after his cross-examination of him the other day, he is perhaps expecting human nature to be a little more complacent than it is.

Mr. REID: I object to that. Mr. Symington would seem to infer that there was something personal about my cross-examination. I did not know Mr. Crerar; only heard of him; never saw him in my life before; and I was asking for information and facts and I would like to get them. The only reason I ask it at this stage is that it would shorten the inquiry; later on, in the future we

will be called down for half an hour, to ask Mr. Crerar these questions, but if we can bulk it now in this record, it will save a lot of investigation and I would ask him in short order.

His LORDSHIP: You cannot ask him this morning, because he is not here; and after all, we are simply dealing now with the depositors' case, Mr. Reid. I do not want to exclude any evidence which you, acting for any party, may think is going to be of assistance; but on the other hand, I do not want to delay the depositors' case by going into testimony now which would have a bearing on other branches of the case only.

Mr. REID: But at some time in the future, say next Wednesday, I might have five or ten minutes if Mr. Crerar is here? Your lordship will give me permission to have him here?

His LORDSHIP: If Mr. Crerar was in Court now, I would ask him to take the stand.

Mr. REID: Then if I am here on Wednesday or Thursday, I propose to get him here in some way.

Mr. SYMINGTON: Your lordship is not ruling on that I take it?

His LORDSHIP: No, not now. Is there anything more to be done this morning?

Mr. LAFLEUR: No, my lord.

His LORDSHIP: Then we are to adjourn until Wednesday at ten o'clock are we?

Mr. LAFLEUR: At ten o'clock.

His LORDSHIP: The adjournment will be until Wednesday the 14th instant at ten o'clock in the morning at this place.

Proceedings stand adjourned at 10.40 a.m. Friday, May 9, 1924, until 10 a.m. Wednesday, May 14, 1924.