HAYSEED CAPITALISTS:

PRIVATE BANKERS IN ONTARIO

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by

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ABSTRACT

The structure of the Canadian banking system, and the establishment of strong chartered banks at a relatively early stage, have overshadowed banking institutions that operated outside the chartered system. The non-chartered or private banks can be categorized into three groups: the joint stock banks of the 1830s, the urban private bankers who appeared in the 1850s and after, and the small-town private banks of the post-1868 period.

All three types of private banks were established to fill perceived niches in the chartered bank system. Those of the 1830s possessed an anti-establishment, hinterland bias. The urban private bankers specialized in savings and foreign exchange transactions, and often branched out into insurance, debentures, and ultimately stocks and bonds. The small town private banks began and prospered when the needs of small hinterland communities outpaced the inclination and ability of chartered banks to provide them with banking facilities. Unlike the urban private bankers, those in small towns offered a full range of banking services, and they often acted as insurance and real estate agencies as well. They appealed strongly to local loyalties, and operated more cheaply than chartered bank branches.

In most cases these small-town private banks were supported by the chartered banks with loans, and with access to the cheque clearing system, though chartered banks varied considerably in their attitude to them. Locally, private banks recirculated a community's savings, and deployed the proprietor's capital in local enterprises. Like most industries, private banking displayed easily recognizable phases of rapid (and often reckless) growth, maturity, and decline.

At its peak, with more than 150 firms, private banking dominated in the non-urban areas of Ontario. Private banks constituted the majority of banking offices in the province in the 1880s and early 1890s, and in aggregate, their volume of business equalled that of a major chartered bank. The demise of private banking resulted from internal efficiencies in the chartered bank system that facilitated the profitable operation of small-town branches, a greater confidence by the public in chartered banks, and a reduced sphere of operation for private banks as an integrated financial system gradually displaced semi-autonomous local economies.

In a broad sense, Ontario private banks represent a phase in the establishment of extensive branch systems by the chartered banks. Due to their relationships with the chartered banks, to the structure of the Canadian banking system, and to the nature of economic development in the hinterland of the province, Ontario's private banks have no precise parallel elsewhere.

PREFACE

Many years ago I stumbled upon the term 'private banker' in a reference book. The term was entirely new to me at the time, and I found it intriguing. Naturally, I perused all the references to private bankers I could find. There was very little, and what there was I did not find very satisfactory. I became convinced that there had to be more about these banks than had yet been written, and that, at some point in the future, I would like to take the time to investigate this fascinating aspect of financial history.

Much later, through a series of serendipitous circumstances, I found myself at the beginning of a doctoral program in history. Private banking, of course, was my immediate choice for a dissertation subject. After some discussion, my supervisor, Prof. John C. Weaver, and my committee agreed to the proposal, probably with some doubts that the subject was significant enough to merit intensive study, and, I am certain, a suspicion that there were not sufficient primary materials in existence to form the basis of a dissertation.

I had no doubts about the fragmentary nature of the evidence. There were few collections of private bank materials in archives or museums. This study, therefore, relies heavily on business directories, weekly newspapers, local histories, the Dun and Wiman reference books, and the *Monetary Times*. Scattered papers and documents, some in archives and some in private hands, have provided much illumination.

In recent years the subject of private banking has interested numismatists more than historians. Mr. William Clarke of London and Prof. Ross Irwin of Guelph are two who provided assistance, particularly when this project was in its early stages. Mr. Graham Esler, Director of the Currency Museum of the Bank of Canada, provided valuable help with his vast knowledge of some of the obscure corners of Ontario banking history.

Due to the nature of the subject, I have made much use of local and county archives. Both archivists and volunteers have been most helpful, often spending hours searching for references or material. In this regard, Miss Jacqueline Stuart, curator of the Aurora Museum, leads the list for providing me with a brief history of Aurora and guiding me through the life of banker J.M. Walton. Later, she reviewed the section on Walton's bank. Mr. Edward Phelps of the University of Western Ontario Library provided valuable insights into the subject of his own M.A. thesis, banker John Fairbank. Mr. Brian Hendley of the Hamilton Public Library kindly consented to read the portion of this dissertation on Hamilton's private bankers. Mrs. Bonnie Callen, archivist at the Wellington County Museum, has provided much assistance and personal encouragement on my numerous visits to research this and other topics.

I am indebted as well to the following, whose provided assistance beyond the mere retrieving of material in public collections. I list them in no particular order: Mr. I.E. Irving, volunteer at the Eva Brook Donly Museum, Simcoe; Mr. Bruce Beacock, assistant archivist at the Simcoe County Archives, Minising; Mr. Tom Hodgson, volunteer at the St. Catharines Historical Museum; Ms. Judy Liddle of the Chatham-Kent Museum; Ms. Celia Wood, of the South Grey Museum, Flesherton; Ms. Sandra Lamoureux of the Sarnia Public Library; Mrs. Jayne Pettigrew of the Norwich and District Archives; Ms. Barbara Ribey, curator of the Bruce County Museum; Ms. Meg Stanley, city archivist at Woodstock; Mrs. Jill Jamieson of the Woodstock Public Library; Ms. Pat Zimmer, director of the Aylmer and District Museum; and Mrs. Nancy Sadek, special collections, University of Guelph.

Mr. Gordon Pigden and his family, of Madoc, kindly allowed me to examine the remaining books of J.C. Dale and Co. at their store, which is the former bank premises. They are to be commended for restoring the original bank vault in the store. Miss Susan Higgins of Toronto graciously invited me to her home to examine her family papers relating to the McTaggart Bros. bank. A lengthy conversation with her and her aunt, Mrs. Mary Tisdall, provided me with much insight into Clinton's history, and led me to alter slightly my interpretation of the social role of private bankers in their communities. It is probable that there are other holdings of private bank records among family papers, and I hope that these may eventually become available to future researchers.

This study was rendered much easier by the knowledge of banking I acquired during a former career. In this regard I owe a debt to the Canadian Imperial Bank of Commerce, and numerous former colleagues in 'the service.'

My sister, Susan Thorning, deserves sympathy for tolerating my frequent overnight stays in Toronto when I was mining the weekly newspaper collection at the Ontario Archives. When the early draft had been written, Mr. James Gow of Fergus offered to read the manuscript, and to him must go the credit for removing the most blatant stylistic lapses and awkward turns of phrase.

I owe a particular debt to Professor Gilbert A. Stelter of the University of Guelph, who guided me into the formal study of history. Professors Peter George and Harvey Levenstein, members of my committee, have provided much guidance and assistance. Most of all, Professor John Weaver has steered this project through some difficult and trying periods. Any merits it possesses are due to his wise counsel, determination, and enthusiasm.

As the reader will quickly see, there are many holes in the history of Ontario private banking that I have been unable to fill. I have no doubt that, due to my faulty interpretation of some documents and my ignorance of other sources, there are factual errors and important omissions in this work. If it prompts a better researcher to undertake a more thorough and sophisticated analysis of the subject, it will have fulfilled its purpose.

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INTRODUCTION

This work attempts to assess the importance of Ontario's private bankers and their significance to the development of the province's economy. Private banking is one of the murkier subjects in Ontario's business history. These banks were not required to file any statutory reports, and few left any financial records or papers. Most Ontario historians are aware of their existence, but few could offer a precise description of their activities. Private banking firms existed in the 1830s, and others in the last three decades of the nineteenth century. Some were located in cities, others in small towns. In most of the historical literature, these various classes of private banks tend to be lumped together.

Several points became clear to me very early in this study. Firstly, the private banks of the 1830s had no connection with those that appeared later, other than a desire to provide hinterland banking services. They arose instead out of the particular financial and political climate of that decade. Secondly, private banking in the cities had quite different characteristics from that in Ontario's small towns, in the nature of their business, in the evolution of the firms, and in the style of entrepreneurship of their proprietors. Thirdly, the growth, prosperity, and decline of the small-town private banks of the post-1868 period depended to a large extent on the state of the chartered bank branch system at particular times. No historians have yet examined the development of branch banking in detail. The process of extending chartered bank services to the hinterland did not evolve smoothly, but followed an unstable cyclical course of expansion and retrenchment before the banks developed management techniques that allowed them to operate extensive branch systems efficiently. Some chartered banks sponsored and supported private banks. The relationship between the chartered and small-town private banks was characterized by both competition and cooperation. Overall, the small-town private banks constitute part of a larger picture: the provision of banking service to the Ontario hinterland.

Small-town private banking began in the late 1860s, a period of great disruption in the Ontario branch bank system. Chapter II traces the development of branch banking up to 1870, and examines the conditions that led to the growth of small-town private banking. Chapter III is an overview of the urban private banks. My attempt here was to demonstrate that these banks were specialized institutions operating at the fringes of the financial system, that their role was unique in each urban centre, and that they should be considered as banks only under the broadest definition of the term. The history of urban private banking is traced in London, Toronto, Kingston and St. Catharines. I deal with Hamilton in a more detailed way. Hamilton attempted more than any other city to become a financial centre. Its private bankers formed a financial elite, although a secondary one, below the major wholesalers and manufacturers of the city. They also constituted a social elite, through connections of friendship and marriage.

Chapters IV through VII form the central part of this work. My contention is that small-town private banking was central to the local economies of Ontario's smaller centres, and that it passed through definite stages of development: firstly, early, and often rapid growth; secondly, a period of restructuring and consolidation, during which the reckless and speculative men were weeded out; thirdly, a period of solid but cautious growth and maturity; and lastly, the period of decline. I have treated these stages separately in each of four chapters, placing the state of private banking at each stage in the context of the chartered bank system. Chapter VIII consists of three case studies of private banks in Petrolia, Aurora and Madoc. I selected these for the simple reason that these banks have left the best sets of surviving financial records. All three of these private banks were large ones in the context of their peers, and those in Aurora and Madoc thrived late in the era of small-town private banking. I do not claim them to be typical of the industry, but I do argue strongly that the business of each was tailored specifically to its local business community, and that it was this close relationship that allowed successful private banks to prosper, even in head-to-head competition with chartered bank branches.

In my concluding comments I consider broadly the importance of the small-town private banks both to their local communities and to the maturing financial system of Ontario. I consider the private bankers as entrepreneurs, and conclude that these men were as often sophisticated businessmen as they were rustic hayseed capitalists. My use of that term, therefore, takes on an ironical twist that I hope will not escape the attention of readers. As a class, I regard them as true classical liberal capitalists, resisting both government involvement and large combinations, content to exist as independent, unregulated businessmen into an era when these characteristics were becoming anachronistic in the financial sector of the economy. As non-reporting banks, neither their deposits nor assets are included in the aggregate financial data of Ontario. Because of this, the nineteenth century aggregate data, and more recently, the estimates of growth and economic activity calculated by economic historians, underestimate the extent of economic activity in Ontario, particularly in non-urban areas. I also offer a reconsideration of the nature of metropolitan-hinterland relationships as they apply to banking, and conclude that banks should not be considered as instruments of metropolitan domination. Rather, Canadian banks, from an early date, pursued corporate goals rather than metropolitan ones, and only co-incidently were the two the same. Small towns, and particularly their private bankers, often were able to set the nature and terms of these metropolitan relationships.

I. PRIVATE BANKING AND BUSINESS HISTORY

a. The Nature of Private Banking in Ontario

Between 1870 and World War I more than 600 private banks operated in Ontario. Although a sprinkling of them could be found in the larger centres of the province, the vast majority were in small towns and villages. Of course, not all these firms operated through the entire period. Private banking peaked in the early 1890s, with about 165 offices. Established by individuals and partners, often with only modest capital, and buffeted by general business cycles and local economic downturns, the casualty rate of these banks was high. Still, they performed a vital role in the financial system of the province. From the early 1880s until the late 1890s, between 50% and 60% of the banking offices in the province were operated by individuals and unincorporated partnerships. If the larger centres are excluded, and the count is restricted to towns and villages, private bankers accounted for more than 70% of the banking offices in Ontario in the last two decades of the nineteenth century.

My contention in this study is that small-town private banking, over the period from 1870 to 1910, experienced distinct stages of growth, consolidation, maturity and decline; and further, that small-town private banking can be clearly distinguished from the financial offices in larger centres that are frequently lumped with them as private banks. The history of the small-town private banking industry is connected intimately with the growth and operation of the branch systems of the chartered banks. Virtually all the Canadian chartered banks operated branches from their beginnings, but the vast networks of branches that are now so familiar were established only with a great deal of difficulty. Not until the very end of the nineteenth century did the banks work out effective administrative procedures for their branches that permitted them to generate a profit from the often small and risky business to be found in the smaller towns and rural communities of Ontario.

Operating as sole proprietorships and partnerships, and subject to neither regulation nor statutory reporting requirements, the private banking industry has left few records or documents. It is not even possible to determine the precise extent of private banking at any one time. Directory listings provide the only surviving records for a considerable portion of private banking offices. The accuracy and completeness of these listings are at best questionable. Some private bankers also operated one or more other business, and some listings omitted their banking activities. In other cases, businessmen listed themselves as bankers, when in reality they would be more properly identified as financial agents, mortgage brokers, or private lenders. The definition of private bank I employ in this study is restrictive, and is applied only to those offices known or believed to have provided demand loan, note discounting, funds transfer, foreign exchange, chequing, and deposit facilities. The Dun and Wiman *Mercantile Reference Books* provide the most complete and accurate listings of private bankers; not only did this firm's existence depend upon its ability to provide accurate information, but its listings were also updated quarterly. Even so, the Dun and Wiman lists contained errors and inaccuracies. In this work I have corrected them with information from other sources.

There are also problems with the definition of chartered bank branch, particularly in the years before the 1870s. Chartered bank offices were known variously as agencies, branches, and banking offices. Bankers at the time made efforts to differentiate these offices, based on the degree of autonomy they allowed to the officer in charge. Chartered banks themselves showed no consistency in their use of these terms. The officer in charge of the branch could be titled the agent, the manager, or even the cashier, though the latter usually meant the chief operating officer of the bank, later to be known as the general manager. From the customer's point-of-view, the distinctions were not normally vital. The fact that a credit had to be approved in Toronto or Montreal rather than locally was an inconvenience, not a calamity, and was certainly better than no banking facilities at all. In this work, in view of the obstacles to clear definitions, I will use the terms `agent,' `branch' and `banking office' interchangeably, explaining the amount of local autonomy of the office where this is significant.

Overall, the private banks represent an interim phase in the province's financial history. They provided banking facilities at times, in places, and in circumstances where the chartered banks could not or would not do so. A majority of the private banks were closely connected to chartered banks as correspondents, borrowers and lenders; in effect, they acted as retailers of banking services. The history of the private banking industry cannot be studied outside the context of the development of the chartered bank branch networks. The two were intertwined from the beginning, and this relationship extended beyond the correspondent status that the private banks maintained with their chartered associates. Private banks often succeeded to closed chartered bank premises; personnel moved freely from chartered to private banks and back again; and as the private banking system declined a significant number – perhaps half – were absorbed into the burgeoning chartered bank system in the early years of the twentieth century.

Most were established on capital accumulated within the local community or raised elsewhere in small-town Ontario. Private banking was very much a non-metropolitan phenomenon in this province, capitalizing on local patriotism and distrust of big-city corporate organizations, of which the chartered banks were early examples. Farmers and small-town businessmen expressed their anti-bank agrarian sentiments by transacting their financial business with a local private banker. The accumulation of capital in the smaller centres, and its employment locally, both in private banks and in other ventures, has often been overlooked by business historians, but it provided a major tool for the assertion of local autonomy, countering metropolitan domination, or at least allowing businessmen in smaller towns some measure of selectivity in the metropolitan connections they did establish. The existence of a thriving private banking industry in the last three decades of the nineteenth century, combined with the difficulties endured by the chartered banks in establishing profitable branch systems, shows that the relationship between metropolis and hinterland operated in a much more dynamic way than has been realized by most commentators, and that the popular conceptions of metropolitanism should be modified.

The period of explosive growth in private banking – from 1870 to 1882 – was one of turmoil in the banking industry. Ontario's first three chartered banks, the Upper Canada, the Commercial and the Gore, were in the process of winding up their operations. The dominant force in banking, the Bank of Montreal, changed its corporate goals several times, to the detriment of it's Ontario business, and particularly that of the small-town branches. Two upstart chartered banks, the Merchants Bank and the Bank of Commerce, were attempting to elbow their way to prominence, and were experiencing difficulties in the process. Finally, there was a flood of new chartered banks. Not all of them found success, but most of them viewed the hinterland of Ontario as promising ground for branch systems, opening and later closing many branch offices. Overall, the health of their branch systems was not the primary objective of the chartered banks, and when difficulties were encountered, accounts at the branches, and even the branches themselves, would be sacrificed. In such an environment, private bankers found it relatively easy to establish their businesses in small-town Ontario.

By the end of the century, private banking had begun its irreversible decline. Its ability to compete in a changing economy was eroded by increasing efficiencies in the chartered branch system. A number of factors were at work. Failures of a few private banks undermined public confidence. These usually received wide publicity, and the chartered banks capitalized on the situation by actively seeking small-town deposit business, which was a principal source of working capital of private banks. Transactions through private banks became more awkward and costlier, especially so after cheques became a favoured way of settling accounts and the chartered banks set up efficient clearing systems. Succession has always been a problem with unincorporated firms, and private banks suffered here. Chartered banks offered far better opportunities to ambitious young bank employees. Still, in a few towns where the private banks had public confidence and sound management, they were able to hold their own against branches of their chartered rivals until well into the twentieth century.

b. Private Banks, Branch Banking, and Canadian Business History

In the literature on Canadian banking and economic history, the approach is almost invariably a centrist one. Historical surveys attempt to trace the development of the economy as a whole, or occasionally on a regional or sectorial basis, but very seldom from the perspective of the fringe and hinterland. Private banks, if they are mentioned at all in these writings, are merely noted; there has been no sustained analysis of the growth of the private banking industry and its place in the overall financial system. Similarly, the corporate histories of the chartered banks, by definition, take the head office perspective. None attempts an analysis of the growth of branch systems. The authors of these histories consider the openings and closings of branches in the context of the general prosperity of the bank: retrenching during periods of austerity and expanding during profitable cycles. Further, these corporate histories rarely perceive branch management and supervision as major business problems facing nineteenth century bankers. None considers the relationship of private banking to an individual chartered bank, or to the chartered bank branch system as a whole. The involvement of the individual chartered banks with private bankers varied considerably. For three, the Bank of Montreal, the Merchants Bank, and the Federal Bank, private banks constituted a considerable portion of their non-urban Ontario business. Regrettably, the two-volume history of the Bank of Montreal does not even mention private banking, and there are no full-length histories of either the Merchant's Bank or the Federal Bank.

Historical writing on Canadian banking falls, with a satisfactory degree of neatness, into three distinct schools of work. Surveys, either of banking alone or of the broader financial sector, constitute the first. Adam Shortt is the towering founding figure of this school, though R.M. Breckenridge was, chronologically, its first major writer. Dr. Breckenridge produced *The Canadian Banking System, 1817-1890,* the published version of his Ph.D. thesis, in 1895. This work initiated the academic study of Canadian financial history. It surveyed the development of chartered banking in Canada from the opening of the Bank of Montreal down to the time of its writing. Breckenridge emphasized the political and legislative context of the development of banking. Like most later writers, he accepted the existence of chartered bank branches as a given and unquestioned part of the Canadian banking system. Breckenridge argued that branch banking in general proved most profitable when the bank was a large one, and when it enjoyed note-issuing privileges, citing as his non-Canadian examples the Scottish Banks, the First Bank of the United States, and the Australian Banks. He acknowledged the ability of a branch system to move capital readily from one locality to another, to provide reduced transaction costs to customers, to reduce geographical interest rate differentials, and to extend banking facilities to isolated areas. Branches allowed a bank to distribute its risks, and to extend its note circulation over a wide area. Breckenridge proposed that branch systems permitted centralized management, impartial decision making, better training for branch officers, and fostered the gathering of information on economic conditions.[1]

Breckenridge stood on fairly solid ground in arguing these characteristics of branch banking for the time at which he was writing, the mid-1890s, but he failed to recognize that they were achieved only with great difficulty over a period of decades. Structured and systematic centralized management, for instance, did not engage the serious attention of senior bank officers until the early 1880s. Breckenridge's assertions that branch systems reduced interest rate differentials, lowered transaction costs, and brought banking to isolated communities, can also be disputed. The theoretical advantages of branch systems were realized only partially and unevenly, and at a pace that lagged behind development and capital growth in small-town economies. It was this fact that permitted the large number of private banks to prosper through the last three decades of the nineteenth century. Most of all, Breckenridge does not even acknowledge the presence of the small-town private banks of the post-1870 period, their role in providing banking services in isolated communities, or their frequent function as surrogate branch offices for some of the chartered banks.

Adam Shortt reviewed the book, somewhat ruthlessly, in the *Journal of the Canadian Bankers' Association,* disputing some of the factual details in Breckenridge's treatment of the circumstances surrounding the charter of the Bank of Upper Canada. More relevant to the present discussion here, Dr. Shortt criticized the lack of context

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> Dr. Breckenridge lays no claim to a special acquaintance with the economic environment of the Canadian banks, and although he does attempt here and there to give a brief outline of the commercial atmosphere in which the banks operated, yet these are the least satisfactory portions of his book.[2]

Shortt's second response to Breckenridge, and a far more significant one than the review, was his series of 36 articles that ran from 1896 until 1906 in the *Journal of the Canadian Bankers' Association.*[3] Far more ambitious in scope than Breckenridge, Shortt began the series with the earliest financial transactions of the French regime, and, revealing the latent numismatist in his character, examined currency as well as the banking system. Like Breckenridge, and perhaps responding to what he considered to be misleading statements in *The Canadian Banking System, 1817-1890,* Shortt dwelt at considerable length on the period from the 1820s to the 1850s, years when banking and politics were intertwined. As well, he placed the development of banking within the context of general economic growth and business cycles. Curiously, his treatment of the middle and late nineteenth century is incomplete and misleading. Only three of the 36 articles deal with the post-Confederation period, when banking legislation was consolidated in the 1871 Bank Act, and when Canadian banks went through a burst of growth and restructuring. Shortt does not mention the growth of building societies, insurance companies, and other financial intermediaries which became significant in this period. He deals only in a limited way, in three of the later articles, with the internal management of some of the individual banks and ignores the development of branch banking as a subject in itself. Though he provided the best published work on the private banks of the 1830s, Shortt omits the post-1870 private banks entirely.[4]

Dr. Shortt laboured mightily in his meticulous search for fact and accuracy, and his work has survived on this strength alone, although the columns were not collected and printed in book form until 1986. Surprisingly, the work of Breckenridge and Shortt stood as the basic literature for decades. More modern surveys, in particular R. Craig McIvor's *Canadian Monetary, Banking and Fiscal Development* (1958) and E.P. Neufeld's *The Financial System of Canada* (1972) place the development of banks more clearly in the context of the developing Canadian economy, explaining the historical context that Shortt advocated but seldom practised, but even these works note the growth of branch banking only in passing. The Neufeld volume, widely regarded as the standard work in Canadian financial history, allots a brief 11-page chapter to Canadian private banks.[5] Neufeld's sources, consisting largely of directories and scattered stories in the *Monetary Times,* severely limit his analysis. Nevertheless, he senses that the large city private bankers tended to offer specialized financial services rather than full banking facilities. More importantly, Neufeld realizes that the growth and decline of private banking was related closely to the development of chartered bank branch systems, noting that the slow growth of these systems "was further evidence that the system of chartered banking was still in a developmental stage."[6]

Ian Drummond's *Progress Without Planning: The Economic History of Ontario from Confederation to the Second World War* filled a significant gap in the historiography of Ontario when it was published in 1987. This work covers the full period of the growth and decline of the private banking industry. Although it devotes only two pages and a half dozen other scattered references to private banking, and relies heavily on previous work, particularly that of Neufeld, Drummond's notes show that he also consulted several local histories, something that few other economic historians have done. Drummond's work is a general survey, but it does include some original research. He records the business activity of a general merchant who eventually extended his activities into lending and accepting deposits, and suggests that

"This was the sort of country general store that could, and presumably sometimes did, evolve into a private bank."[7] Drummond's tentative conclusion points strongly to the need for further study on Ontario's private bankers, their origins, and their place in the financial system of their time.

Sponsored corporate histories have been favoured by the major chartered banks at various times and comprise the second major school of banking history. Interestingly, two of the sponsored corporate histories have been more sensitive to the troubled years of the development of branch systems than the impartial surveys. Merrill Denison's history of the Bank of Montreal, *Canada's First Bank* (1966-67), places branch business within the context of changing corporate policies and objectives.[8] Victor Ross's *The History of the Canadian Bank of Commerce* (1920-22) emphasizes the tentative way this bank expanded geographically. Ross notes that requests and demands for banking facilities in small towns far outstripped the willingness of the Bank of Commerce to supply them. Ross was the first historian of banking to recognize the relationship between chartered bank branches and small-town private banks.[9] A third volume of *The History of the Bank of Commerce,* produced by A. St. L. Trigge in 1934, continued the work of Ross, and included lengthy chapters on banks absorbed by the Bank of Commerce, four of which were relevant to the private banking industry: the Bank of Hamilton, the Western Bank, the Standard Bank, and the Sterling Bank. More than Ross, Trigge concentrated on branch systems, showing the pitfalls of the rapid expansion favoured by the Standard Bank and its predecessor, the St, Lawrence Bank. He also shows that the rapid growth of the Sterling Bank's branch system in the early twentieth century was made possible by taking over existing and successful private banks.[10]

The two-volume Denison and the three-volume Ross/Trigge sets were both sponsored corporate histories, commissioned as anniversary projects by their respective institutions, and are superb as period pieces of the bookmaker's art. That both rise above the corporate puffery that can contaminate such books is remarkable. Ross includes some valuable material regarding branch banking in the appendices to his second volume, though throughout the work he discusses problems and difficulties with individual branches. Denison displays an extensive familiarity with his subject, particularly in the pre-1860 period. However, the lack of footnotes detracts considerably from this book's usefulness. Unlike Ross and Trigge, Denison does not deal with amalgamated banks as separate subjects, or even in any detail. Three of these are central in nineteenth century Ontario banking: the Merchants Bank, Molson's Bank, and the Ontario Bank. All three operated extensive branch systems in Ontario, and had close and numerous relationships with private banks. The absence of published work on all three of these banks is a major hindrance to the study of nineteenth century Ontario banking.

Other chartered bank corporate histories are less useful for the study of Ontario private banking. Joseph Schull's history of the Toronto-Dominion bank, *100 Years of Banking in Canada: A History of the Toronto-Dominion Bank,* (1955) is self-congratulatory in tone, though it does show that the branch systems of its two subject banks did not develop smoothly. Neither the Dominion Bank nor the Bank of Toronto operated extensive branch networks in the nineteenth century, and though both had some associations with private bankers, they were not of great significance. Antecedents of the Bank of Nova Scotia did not operate in a major way in nineteenth century Ontario, with the exception of the short-lived Metropolitan Bank, which was most active in Toronto, and the Bank of Ottawa branches in eastern Ontario. *The Scotiabank Story* by Joseph Schull and J. Douglas Gibson does not mention details of the branch systems of either bank. Of the banks absorbed by the Royal Bank, the Union Bank and Quebec Bank operated only a couple of Ontario branches, none with private bank connections. Regrettably, there is no secondary literature on the Traders Bank, which did operate a significant Ontario branch system before its merger with the Royal Bank in 1910.

Even though Denison's study of the Bank of Montreal and the Ross/Trigge volumes on the Bank of Commerce and its antecedents contain useful information on branch banking, neither work addresses the development of branch banking as a continuing business problem for their respective institutions. Further, neither study contains any discussion regarding the relationship of the chartered bank to its private bank correspondents, beyond the noting of a few takeovers in the post-1900 period. In this context it is instructive to look at the opinions of two prominent nineteenth century bankers. B.E. (later Sir Edmund) Walker's *A History of Banking in Canada* (1899; later edition 1909) was in part a reworking of material by Breckenridge and Shortt, but its purpose was to show the evolution of Canadian banking as one of steady, incremental improvement, resulting in a system superior to those of other countries. Walker glossed over the stormy history of branch banking, portraying its growth as a slow but steady progress, and disregarded the role of private banks completely. This book must be viewed in the light of Walker's forceful promotional efforts during the 1890s and 1900s for the Canadian Bankers' Association, and his public profile not only as general manager and later president of the Bank of Commerce, but as the ranking spokesman for Canadian banking. Interestingly, earlier in his career, at an 1893 address to an American audience on Canadian banking, he had acknowledged that a large number of private banks had once operated in the smaller towns of Ontario. He had explained that these private banks had owed their existence to the autocratic and unsympathetic policies of the chartered banks. Walker left the impression on his audience that the chartered banks had corrected their methods, and consequently, private banks had become anachronistic and were fading.[11]

In fact, the Ontario private banking industry had just hit its peak in 1893.

A much different view of private banking was taken by George Hague, the general manager of the Merchants Bank from 1877 until 1897, in *Banking and Commerce,* which he published in 1908. Reflecting Hague's straightforward, practical nature, the book is a combination of a working manual for junior bankers, and a sometimes candid memoir of Hague's own career and experiences. During Hague's tenure at the top desk, the Merchants Bank cultivated relationships with more private bankers than any other Canadian chartered bank, and in 1908, when private banking was fast declining, Hague continued to believe that private bankers could fill a useful role in certain communities.

Differences in policy and direction among the chartered banks, with the notable exception of international operations, have generally escaped the attention of business historians. The diametrically opposite positions taken by Hague and Walker regarding private banks had parallels in their approach to the development and supervision of branch systems, and undoubtedly in other aspects of banking as well.

A third school of banking history is more recent in development. This work focuses on the internal development of the institution and its place not only in the financial marketplace but also in the social fabric of the broader community. The significant works are Ronald Rudin's *Banking en français* (1982) and *In Whose Interest?* (1990), studies of the francophone-owned Quebec chartered banks and the Quebec caisses populaires, respectively. Rudin's work is an important part of the newer historical literature that views Quebec history in terms of class conflict rather than nationalistic struggles. He argued this thesis more explicitly in a 1989 article, "Class and Cooperatives: The Struggle for Control Within the Caisses Populaires of Quebec, 1900-45."[12] Though there are few apparent parallels between the circumstances of Rudin's Quebec and Ontario's banking history, his work nevertheless can suggest additional questions concerning the evolution of banking in Ontario. Peter Baskerville's collection of documents, *The Bank of Upper Canada* (1986) contains a book-length introduction, though regrettably, he does not explore the volatile branch system of this bank. In view of the fact that the papers of the Bank of Upper Canada were destroyed, this volume provides a remarkably diverse collection of documents that, when viewed together, help reveal the practices of Upper Canada's financial elite from the 1820s to the 1860s. The economic conditions that allowed private bankers to prosper after 1870 had their origins in this period.

Canadian branch banking was fifty years old in 1870, but its vitality had remained tenuous for most of its first half-century. It is rather surprising that private banks did not appear sooner to answer the constant demands for increased banking service from the hinterland. In truth, there were substitutes that fulfilled many of the banking functions during the first half-century of the existence of chartered banking. The large wholesale firms of Montreal, Toronto and Hamilton oversaw credit networks that extended from backwoods farmers all the way to British and Scottish suppliers and manufacturers. Douglas McCalla's *The Upper Canada Trade* examines the network developed by the Buchanan firm of Montreal and Hamilton, which effectively provided a substitute for a branch banking network in parts of Upper Canada. An important article by McCalla, "The Decline of Hamilton as a Wholesale Centre,"[13] attributed the demise of many of the major Hamilton wholesale firms in the late 1860s and early 1870s to the breakdown of this credit system, and in part to the availability of substitutes in the form of chartered bank branches. McCalla's comparison between Hamilton and Toronto is based on aggregate import figures; his argument might have been strengthened and modified by considering the large number of Toronto wholesalers to experience financial difficulties in this period and later. Implicit in McCalla's analysis is the important notion that the nature of the business relationships between the centre and hinterland were determined in a major way by the retail customers of the major wholesalers.

The credit system of some of the hinterland millers provided another substitute for banks. These millers often ran general stores in conjunction with their mills. Their transactions with farmers, therefore, produced both debit and credit entries on their books. It was a sophisticated form of barter. Some of these miller/merchants went so far as to circulate promissory notes locally.[14] Early in the nineteenth century, a number of merchants had issued tokens, but these became uncommon after a succession of legislative measures in the 1830s and 1840s.[15]

The first extensive branch system in Canada West was that of the Bank of Montreal, though this fact has received little mention in the literature on the Montreal and Toronto business elites of the nineteenth century. Donald Creighton has noted the constant calls from rural Upper Canada for more banks, but does not explain why the Bank of Montreal was more inclined than the Upper Canadian banks to answer.[16] Gerald Tulchinsky's analysis of the Montreal business elite in the 1840s and early 1850s, *The River Barons* (1977), demonstrates that, although wholesale merchants such as Peter McGill and George Moffatt sat on the board of directors of the Bank of Montreal, they used their other business activities, rather than the bank, to expand their business ventures in Upper Canada. Similarly, the Bank of Montreal was not involved in the financing of early railway ventures. Tulchinsky's assertion that the "early Canadian banks were created by merchants whose prime goal was to profit from handling commercial paper" suggests that they were not intended to be active instruments of metropolitan control. This in part explains the erratic branch policy pursued by the Bank of Montreal in Upper Canada. In a sense, an extensive branch system represented a threat to their existing wholesale networks: a bank branch system would loosen the ties of hinterland merchants to individual suppliers by providing them with an independent source of credit.

The strength of the Canadian wholesalers was undoubtedly a factor in retarding the growth of both chartered bank branch systems and private bankers. The growth of branch systems and private bankers coincides with setbacks in the fortunes of the old, established wholesalers. The process took more than a generation: Peter McGill encountered troubles in the early 1840s;[17] the Buchanan firm in its various configurations slipped badly through the 1860s;[18] a flurry of commercial bankruptcies helped fill the news columns of the *Monetary Times* in the mid-1870s. The accumulation of capital by the customers of these wholesalers played a major role in their downfall. As they became partially or totally independent of the wholesalers' credit networks, the hinterland merchants shopped carefully for their sources of supply. The increasing availability of bank credit in the 1860s accelerated the process, and in the 1870s some of these same hinterland businessmen, or members of their families, became private bankers.

The closeness between the Bank of Upper Canada and members of the Toronto business and political elite has led historians to view all Canadian banks as tools of Metropolitan domination. The evidence suggests that this is a gross oversimplification. D.C. Masters, for example, points to two of the five banking offices in Toronto in 1851 being branches of Montreal banks as evidence of that city's domination of Toronto and Upper Canada.[19] However, two of the three Upper Canadian banks had Montreal offices at the same date. The Hamilton-based Great Western Railway provides another interesting example. This company banked primarily with the Commercial Bank, with headquarters in Kingston, and in 1864, under the influence of William McMaster, one of the face cards of Toronto's business elite, it switched its account to the Bank of Montreal.[20] By 1872 the Great Western had switched to the Bank of Commerce, at least for its operating account.[21] The Great least for its operating account.[21] The Great Western Railway, it appears, never dealt with the Gore Bank, or the later Bank of Hamilton. Evidence from the history of Canadian banking does not support the simple versions of metropolitanism, though it does have some resonance with modern variants, particularly the heartland-hinterland approach, which stresses centre-margin interactions.[22]

The existence of metropolitan ambition among big-city elites cannot be denied, but its vitality was found as often in rhetoric as in action. The businessman's first loyalty was to his own business, and his business thrived when he could use the most efficient payment and credit system available, regardless of its domicile. The rise of career bankers, men with little or no investment in their banks, helped accelerate the substitution of corporate loyalty for metropolitan loyalty. Alexander Simpson, cashier of the Bank of Montreal from 1846 until 1856, may have been the first Canadian example. His origins remain obscure, and he seems to have possessed no connections of any sort with the Montreal financial elite who dominated the board of directors. The same circumstances applied to Simpson's successor, David Davidson, whose early banking experience was not with the Bank of Montreal, but with the rival Bank of British North America.[23] By the late 1860s such banking careerists, possessing strong loyalties to neither a city nor even to the institution that employed them, held the top operating positions in most of the major chartered banks. George Hague was the outstanding example of those who held top positions with more than one bank over their careers. These managers set up branch system in accord with their corporate goals, rather than the metropolitan goals that may have been pursued by their big-city customers or even the directors of their banks. This situation helps account for the slow and uneven growth of branch systems, and the holes in these systems that were filled by the private banking industry.

The shift in day-to-day decision making from boards of directors to career bankers placed the industry on what was known in the nineteenth century as 'sound banking principles.' During the early decades of chartered banking, when loans were routinely assessed by the boards of directors of the banks, much credit was given in the way of accommodation; that is, on the strength of the borrower's signature and that of one or more endorsers. This system worked to the advantage of those with close connections to the board, and to the detriment of new businesses and potential borrowers in the hinterland. It also worked to the detriment of the banks: during a recession a domino effect occurred when one borrower could not meet his obligations, and the endorsers were called upon. The ultimate security for these loans was real estate, and the result for the bank was a lock-up of a significant portion of its capital. All three of the early Upper Canadian banks were victims to a greater or lesser degree, and the Bank of Upper Canada never did extricate itself from the problems of this type of lending, as Peter Baskerville has shown.[24] The desire for sound, commercial lending practices; that is, loans on the security of reliable, short-term commercial paper with adequate margins, was so strong in Toronto in 1839 that the merchants on the Board of Trade petitioned the Bank of Montreal to open a branch there. Two years earlier the youthful Francis Hincks had testified to a committee of the assembly that a "branch of the Montreal bank would instruct our directors in the system of commercial banking, which very few of them understand."[25]

The centric biases of metropolitanism which have directly and indirectly influenced much of the writing on Canadian financial history may well have their origins in the historical literature of the period between the War of 1812 and Rebellion of 1837. Donald Creighton and Adam Shortt are only two of the historians who have made much of the political circumstances surrounding the granting of early bank charters and the perceived metropolitan rivalry between Kingston and York over the charter of the Bank of Upper Canada. For generations historians have enjoyed dwelling on the notion that politics was central to the development of Upper Canadian banking, and that the Bank of Upper Canada was a tool of the provincial government (or vice versa) through the domination of both by the Family Compact. Peter Baskerville's introduction to *The Bank of Upper Canada* shows that the bank's problems were business ones as much as political, and demolishes the older opinion, which is as old as Charles Lindsey's biography of his father-in-law, William Lyon Mackenzie.[26] The emphasis on Mackenzie's criticisms of the Bank of Upper Canada has overshadowed other monetary developments of the 1830s. These were years of experimentation and innovation. Proposals for new banking concepts and organizations came from across the political spectrum, including some from Mackenzie himself. Most of the new schemes had as one of their objectives the extension of banking facilities to hinterland communities.

Donald Creighton, in examining Mackenzie's role as a bank critic, accepts too much of Mackenzie's anti-elitist perspective as the basis for his analysis. No mention is made in *The Empire of the St.Lawrence* of the great banking innovation of the 1830s, the joint-stock banks, or of Mackenzie's role in them. William Lyon Mackenzie had some training in banking, and fancied himself a great expert on the subject, though Prof. Creighton credits him with greater abilities than the red-headed rebel possessed. Adam Shortt, of course, deals with this interesting decade in Canadian banking history at length, though his oft-noted fetish for factual detail excludes all interpretive analysis.[27] The emphasis on the political aspects of banking has allowed the 'Pretend' Bank of Upper Canada at Kingston to assume a larger place in history than it deserves. There is no question that a strong rivalry existed between Kingston and York, but the simple desire of Kingston's businessmen for adequate and efficient banking facilities was even more important. It was not cities that engaged in business, but businessmen. Rather than metropolitan rivalry, it is clear from the primary sources, both in the *Journals of the Legislative Assembly* and the many pamphlets printed in these years, that a desire for a functional banking system, rather than metropolitan rivalry, inspired the experiments and innovative banking proposals of the 1820s and 1830s. Above all, these were years of innovation. Virtually all developments in nineteenth century banking had their roots in the 1830s, including the notion of private, unincorporated banks.

Although branch banking has been a feature of the Canadian financial system from the beginnings of the first chartered banks, both the concept and the function changed over time. The initial desire of bank promoters was not to provide banking facilities to hinterland communities, but to reduce the transaction costs for the wholesale merchants. The willing acceptance given to the concept of branch banking in Canada is most readily explained by this practical situation, rather than any theoretical considerations.

There were models for the branch system in both the United States and Scotland. Branches had been a feature of Scottish banking since the eighteenth century, but the early Scottish banks were reluctant to build branch systems rapidly, and when they did open branch offices they stayed within a fairly narrow geographical area. The first Scottish bank with a wide-ranging branch system, the National Bank of Scotland, was not founded until 1824, six years after the start of Canadian branch banking. On this continent, the First Bank of the United States, conceived by Alexander Hamilton and administered by Nicholas Biddle had, by the time of its demise, established a branch system that covered many state capitals and the major commercial centres.[28]

The claim that the Canadian banking system was based on Scottish precedents has so often been iterated uncritically that a brief look at the evolution of Scottish banking is in order. S.G. Checkland's *Scottish Banking: A History, 1695-1973* is the most useful source for a comparison of the Canadian and Scottish systems.[29] As in Canada, the banking system in Scotland did not evolve smoothly. The much touted Scottish chartered banks were a fairly new phenomenon when the first Canadian banks were being organized. Private banks dominated in Scotland through most of the eighteenth century, but declined greatly after 1800. These private banks varied greatly in size, but all were note-issuing banks. The last of them, Forbes and Co., ceased issuing notes in 1826. Incorporated banks took their place. The Ayr Bank pioneered a branch system of a sort in the 1770s. It employed part-time agents in smaller towns, largely to circulate Ayr Bank notes through the purchase of bills of exchange. Personnel in this system turned over rapidly. The agents rarely had permanent offices, and conducted their business in much the same way as salesmen.

The Bank of Scotland began a branch system in the modern sense in 1774. Its aims were similar to those of the Ayr Bank and its imitators, but its offices were of a more permanent nature. The Bank of Scotland began to accept deposits at its branches in 1793. Growth of the system was slow but steady. The Bank of Scotland had only 20 offices by 1820, almost a half-century after the system began. Real growth in the Scottish branch systems did not occur until the 1820s. By 1833 there were four banks with more than 20 offices each, and a score of others with smaller branch systems.[30]

A precedent for every development in Canadian banking can be found in the Scottish system, but there is little evidence that any Canadian bankers sought to import the Scottish example in its entirety. In many ways the two systems evolved in parallel, though displaced in time. Innovations appeared in Canada long after they were general practice in Scotland. For example, Scottish banks began actively seeking deposit business in the 1790s; this did not occur in Canada until the 1840s. The Scottish practice of cash credits, with few exceptions, was never adopted in Canada, though the principle is similar to the lines-of-credit system that was eventually adopted. In the 1870s Canadian banks were still wrestling with branch supervision problems that had been solved in Scotland a half-century earlier.[31]

Canadian bank charters, if not other aspects of the banking system, were modelled explicitly on American examples, a fact that is emphasized by W.T. Easterbrook and Hugh G.J. Aitken in *Canadian Economic History.*[32] The first Bank of the United States, based on principles enunciated by Alexander Hamilton, served as the model for the stillborn Bank of Lower Canada in 1808.[33] The articles of association that led to the charter of the Bank of Montreal also followed American examples, particularly that of the second Bank of the United States, which began operation only six months before the Bank of Montreal. The latter bank sent its officers to New York to study banking procedures in effect there, and it employed experienced American bankers during its early years.[34] Easterbrook and Aitken saw strong parallels between the centralist organization, branch systems, and uniform stable currency of Hamiltonian principles, and the legislative framework of Canadian banking. Some nineteenth century opinion supports this view. In 1877 Sir Francis Hincks offered the generalization that the Canadian banking system was modelled on the one that formerly prevailed in the United States.[35] He was referring to the first and second Banks of the United States and their branch systems.

The rather casual way that the notion of branch banking was treated in the early decades of Canadian banking indicates that it was generally accepted here, for the pragmatic reasons of geography and the nature of the early nineteenth century payment system. Branch banking was the obvious way to provide financial services in Upper Canada, and functionally it was an extension of the mercantile networks established by the wholesalers of Montreal, Toronto and Hamilton. The history of Canadian branch banking, and of private banks as well, can be summarized crudely as the striving by rural and hinterland business interests for convenient banking facilities, and the inability or unwillingness of the chartered banks to provide these services.

For almost a century, historians of Canadian banking have focused to a very large extent on the pre-Confederation period. This was true of Breckenridge and Shortt in the 1890s, and the bias has persisted through the work of Easterbrook and Aitken, McIvor, and Neufeld. Bray Hammond's excellent survey of this period, published in 1957, helped to reinforce this prejudice.[36] In the post-Confederation period, the attention has been largely on the Bank Act of 1871, its major revision in 1890, and the legislative and regulatory progression that led to the formation of the Bank of Canada. With so little literature, apart from the sponsored corporate histories, on post-Confederation banking, it is not surprising that so little is known about the growth of branch systems or the private banking industry. Major surveys, such as the Easterbrook and Aitken volume and *Canada: An Economic History* by Marr and Paterson, do not even acknowledge the existence of post-1870 private banking.

The historical literature on the Ontario private banks, as has been noted, is scanty, and most is uncomplimentary to these firms. Some writers may have taken their cues from the *Journal of the Canadian Banker's Association* of the 1890s, which maintained a hostile attitude to private banking while trumpeting the inherent soundness and superiority of the Canadian chartered banks and their branch systems, and gloated over the failure of several private firms.

The lengthiest treatment of private banking is by Tom Naylor, in the first of his two-volume *The History of Canadian Business, 1867-1914.*[37] Naylor's work has been controversial: other scholars have soundly refuted his thesis that anti-industrial merchants dominated the nineteenth century Canadian economy.[38] Few serious students would dispute the conclusion of Michael Bliss that the work is "eclectically radical and factually unreliable" and "useless."[39] Carl Berger correctly places Naylor's book in the progressive-era muckraking tradition of Gustavus Myers's *History of*

Canadian Wealth.[40] Naylor devotes almost as much space to the failures of chartered banks as to their growth, and accepts the existence of branches as a given rather than a problem of growth and development. He views the private banks as largely the tools of the chartered banks, which, while it suited their purposes, they used to pump up the circulation of their banknotes. His interpretation ignores the fact that the private banking industry progressed through clearly identifiable stages. As well, Naylor fails to make a distinction between the small-town private banks and those of the cities, which, after 1870, had generally evolved into stock-brokers and commercial bankers, with minimal contact with most members of the general public.

The inadequacies of Naylor's account of private banking result in part from the sources he used. He relied almost exclusively on *Monetary Times,* and further compromised his analysis by a selective use of the items in this paper, which, on the subject of private banking, usually consisted of brief initial reports, often based on rumour, of the failures of private banking firms. The *Monetary Times* never supported the principle of private banking, and seldom followed up its initial reports with additional factual material.

Although few collections of private bank documents have survived, local newspapers normally carried extensive coverage of private bank failures in their own and neighbouring towns, and occasionally, stories relating to the normal business activities of private banks. Spectacular failures also attracted the attention of city dailies, particularly those which circulated in the vicinity of a failure. Local histories, though notoriously unreliable and frequently undocumented, also contain information on private bankers. Naylor's neglect of these sources prevents him from gaining any insight into the internal operations of private banks and their economic functions in their communities. At 23 pages, Naylor's chapter on Ontario private banking remains the most extensive published study of the subject. Beyond E.P. Neufeld's short section in *The Financial System of Canada,* no historian has attempted an analysis of private banking, or an assessment of its functional significance, within either a conceptual or quantitative framework. The absence of an extended study of this subject remains a notable gap in Ontario historiography. The rise and fall of the private banking industry is at present a seriously neglected subject in nineteenth century Ontario business history. Beyond their role in the evolving banking system, private bankers can also provide an understanding of the means whereby small-town capital was created, accumulated, and deployed. A knowledge of the relationships of these bankers with other segments of the financial system would inspire reassessment of the nature of metropolitan-hinterland relationships in Ontario historiography.

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[3]Adam Shortt, *Adam Shortt's History of Canadian Currency and Banking,* pp. ix-xxiii. The introduction by Nancy Leamen provides an excellent overview of Dr. Shortt's historical methodology.

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[28]Merrill Denison, *Canada's First Bank,* I, p. 26.

[29]S.G. Checkland, *Scottish Banking: A History, 1695-1973* (Glasgow: Collins, 1975), especially pp. 127-141; 196-7; 303-7.

[30]S.G. Checkland, *Scottish Banking,* p. 127, 141, 357.

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II. HINTERLAND BANKING IN ONTARIO TO 1870

When the first small town private banks opened their doors in 1868 and 1869, they filled voids in the hinterland banking system that the chartered banks had been unable to meet. Although all the chartered banks planned to operate branch systems from the time they were chartered, all were slow in building up branch networks. Not until the 1830s did banking offices begin to be opened in numbers. Still, public expectations for new hinterland banking facilities exceeded the ability of the banks to meet them. The consequence was the emergence of a group of joint stock private banks, some of which were promoted chiefly to offer hinterland banking services. For a time these private banks challenged the orthodoxy of the chartered banking system as it had developed during the 1820s, but the financial panic of 1837 put an end to this experiment. The panic also caused the chartered banks to retrench, resulting in restricted credit and closed offices in the hinterland.

Led by the Bank of Montreal, the banks rebuilt their branch networks between 1840 and 1845. The branch system then stabilized at between 55 and 60 offices until the early 1850s, when a fresh round of expansion nudged the number of branches in the province past the 90 mark by 1857. As in the 1830s, public discontent with the banking system, and particularly the lack of adequate facilities in the hinterland descended on the heads of legislators. The result was Francis Hincks's free banking concept of 1850, which ultimately proved to be unsuccessful. The panic of 1857 decimated the three Upper Canadian chartered banks, forcing them to curtail credit and to close branch offices, not only in the immediate aftermath of the panic, but continuing through the 1860s until the ultimate failure of all three by the end of the decade. The fact that the Bank of Upper Canada, the Commercial Bank, and the Gore Bank were reducing their hinterland presence prompted two newly chartered upstart banks, The Royal Canadian Bank and the Ontario Bank, to build up quickly extensive branch systems. These new banks soon ran into trouble with their branch systems, and began to close offices and restrict credit in the late 1860s and early 1870s. At the same time, the Bank of Montreal began to restrict its credit in Ontario, moving the funds to the call loan market in New York. The number of banking offices in Upper Canada in 1869 totalled 101, but banking facilities were available in only 48 towns, only six more than in 1857, despite the increases in settlement, population, and economic activity in the intervening 12 years.

These banking offices did not all offer full banking services. The definitions of the terms `branch,' `agency' and `banking office' are the source of much confusion and difficulty. None of these were used through the nineteenth century with any degree of consistency, and the definitions varied as well from bank to bank.

The term `agency' probably derives from the Scottish agents of the eighteenth century. These were freelance operators who bought exchange in order to place in circulation the banknotes of their employer. `Note-pusher' was a derogatory term applied to them. The early Canadian agents and agencies generally had broader functions, selling drafts and referring credit business to head office, in addition to buying and selling exchange. Agents were usually part-time employees, having their own business interests or other employment. Scottish banks such as the Bank of Scotland and the British Linen Co. worked this way in the early part of the nineteenth century.[1] Bank agents in Canada worked on a commission of ¼% on all transactions they handled.[2] In Canada `agency' became a generic term for any chartered bank office other than head office. It continued to be used by some chartered banks for offices which would be termed `branches' by others. The Bank of Nova Scotia, for instance, retained the term 'agency' officially until 1898.[3] The offices of the small network of the Gore Bank began operation as agencies, under the supervision of a local businessman, who earned a percentage on all transactions. By 1860 these offices operated functionally as full branches, under a full-time manager, though they continued to be called agencies in the Gore Bank lexicon. The circumstances of the transition are not known.[4]

The branch, in a broad definition, was an office with more authority than an agency. This term was not widely used in Canada until the 1840s, though its appearance dates to the beginning of banking in Canada. The charter of the Bank of Upper Canada (1819), authorizes "branches or offices of deposit and discount."[5] The syntax does not indicate whether these terms were intended to be synonymous or contrasting. Generally, they were synonymous, though the amount of local authority of the branch agent or manager varied considerably over time and from branch to branch. The Bank of Montreal seems from the outset to have given more authority to its branch managers that its competitors, and then centralized control and authority, particularly after 1857 when a systematic reporting system, supervised by an inspector of branches, was introduced. At the other extreme was the Bank of Upper Canada, which allowed no direct lending authority to its agents or branch managers, but referred all credit decisions to head office and the board of directors. Peter Baskerville has described the three-tiered branch system devised by William Allan, president of the Bank of Upper Canada. It consisted of agencies at the lowest level, then branches, and finally branches with local boards of directors,[6] but in actual practice the system did not work so neatly.

Scottish banks began using full-time salaried branch managers in the early part of the nineteenth century. Though more costly than using part-time agents, the managers were able to devote their full attention to banking, and were able to develop their skills to a greater degree. There were no conflicts with bank customers who might also be competitors of the agent. Further, the branch managers were less likely to recommend risky credits, because their income did not depend on commissions. Some lending authority could be delegated to the managers, and they in turn would assume responsibility for their credit decisions. These principles eventually became dominant in Canadian branch banking, though this did not occur until after 1870.

At the outset of branch banking in Canada, discounts were approved at branches only where a local board of directors had been appointed. This system was attempted at various times by the Bank of Upper Canada, the Gore Bank and the Commercial Bank, but it never did work effectively. Even when a sufficient number of shareholders existed in a town, there often was neither a willingness to serve nor expertise to determine the credit-worthiness of customers. The Bank of British North America, based in London England, was forced to employ a system of local boards. The difficulties involved with local boards retarded the growth of this bank, which at one point was the third largest in Canada.

The charter of the proposed Bank of Lower Canada (1808) included a clause on the operation of branches.[7] A clause dealing with branches appears in the charter of the ill-fated Bank of Kingston (1819), which would have been required to open a branch at York if £2,000 of stock had been subscribed in the Home District.[8] On the other hand, no mention of branches appeared in the charter of the Bank of Montreal when it finally received Royal assent in 1822.[9]

a. Branch Banking in Upper Canada, 1818-1840

When the first Canadian banks were conceived, and when their promoters and the provincial legislators drafted their charters, the concept of branch banking on an extensive scale seems to have been universally accepted by all parties involved. In their charters, both the Commercial Bank and the Bank of Upper Canada were specifically authorized to establish branches. The Bank of Montreal was not, though it had three agencies in operation in 1818, within eight months of opening its doors. Two of these were in Upper Canada, at York and Kingston. William Allan and Thomas Markland, the agents at the respective towns, were wholesale merchants already possessing strong ties to the Montreal commercial community. Within a year, both men had been given considerable local authority; in effect they functioned as branch managers.[10]

British military expenditures at Kingston formed a considerable part of the business at this branch and helped to propel the Bank of Montreal to an early position of dominance in the eastern part of Upper Canada. The military routinely deposited large quantities of specie at the Kingston office. Soldiers' salaries and other expenses were paid out in Bank of Montreal notes. The specie was forwarded to Montreal, where it was used in the bank's foreign exchange transactions. There were complaints in Kingston that this practice aggravated the shortage of specie in that locality: as well, the bank's regular commercial business also drained specie out of Upper Canada.[11] Such complaints would continue for many years.

In 1819, additional Bank of Montreal offices opened in Queenston and Amherstburg.[12] It is probable that military and commissary business dominated at these offices, but cross-border commerce may have contributed to the viability of these offices, notwithstanding the military considerations of the time. The Bank of Montreal closed the Queenston office by 1821, but opened another at Perth by this date, preserving the size of its Upper Canadian network at four offices. The Montreal-based Bank of Canada also established branches in Upper Canada in the early 1820s, at Kingston and York.

In the first years after its commencement in 1821, the Bank of Upper Canada pursued a cautious and restrained branch policy, very much in contrast to that of the Bank of Montreal. Its senior officials opened offices only where there was an obvious potential for business. Local agents and officers had virtually no autonomy, functioning as little more than clerks. All discounts had to be approved by the head office, and banknote redemption took place only at York.[13] The lack of confidence in local agents seems rather curious, given that the president of the bank, William Allan, had been the first Bank of Montreal agent at York, with considerable local authority.

In 1824 the Upper Canada legislature passed an act forbidding banks not redeeming their notes in specie in the province from doing business in Upper Canada.[14] The two Montreal-based banks elected not to comply. The Bank of Montreal wound up its four-office network, and the Bank of Canada closed its two offices, giving the Bank of Upper Canada a monopoly in the province.[15] The Bank of Montreal did retain a presence in the province by appointing J.H. Dunn, the Receiver-General of Upper Canada, as its agent at York, and presumably as its agent in the inner circles of the government, though details of his specific duties are not known. Dunn retained this appointment until 1826.[16] The only branch the Bank of Upper Canada had opened up to this time was the Niagara office, in 1823.[17] Popular clamour goaded the directors to moderate their branch policy, but the only new offices opened were at Kingston in 1824, taking the place of the Bank of Montreal agency, and at Hamilton in 1827 or 1828. The Bank of Upper Canada remained much less enthusiastic about the benefits of a branch system than did its Montreal rival. It appears that the directors of the Bank of Upper Canada feared that future exigencies might necessitate a contraction of branch business, and that a prudent policy regarding branch openings would a sensible course.

Notwithstanding the act of 1824, the Bank of Montreal was soon back in Upper

Canada, impelled initially by the banking business associated with the construction of the Rideau Canal. John Redpath, a director of the bank, held major contracts on this work. At first the Bank of Montreal had an agent based in Bytown. When the 1824 bill restricting out-of-province banks expired in 1829,[18] the Bank of Montreal resumed business with a full-fledged branch in Kingston, under the direction of Henry Dupuy, who had been accountant at the Kingston branch prior to its closing in 1824.[19] Soon the Bank of Montreal established a whole string of branches in the province. The Rideau Canal construction project brought a great deal of business to the bank. As was the case with the garrison, the British authorities deposited large sums in specie at the Kingston office. When contractors and workers were paid, they received Bank of Montreal banknotes, and the bank held on to the coin. It was a profitable business: the bank both increased its holdings of specie and placed sizable quantities of its banknotes in circulation. The British army payroll account alone accounted for £50,000 sterling in the early 1850s.[20] At times, the Kingston agent sent the deposits of specie to the Montreal head office immediately on their arrival, in the same boxes and kegs in which they had come.[21]

After 1829, the question of extended banking facilities in Upper Canada became a political issue. Following a spirited specie war with the Bank of Montreal, during which the two banks accumulated large quantities of one another's notes and presented them unannounced and at inconvenient times for redemption in specie, a truce was reached which had the Bank of Montreal withdraw all its Upper Canadian branches only a few months after they had been re-established, excepting Kingston, in return for securing the Bank of Upper Canada foreign exchange account at its Montreal head office.[22] It is probable that the Kingston office remained open to service the needs of the Montreal-based contractors on the Rideau Canal.

By 1830, William Allan, under pressure from competitors and the public, began to favour the setting up a local Bank of Upper Canada board in Kingston to review and approve discount applications, subject to a discretionary limit, both at the Kingston branch and any others in the eastern portion of the province that might be set up in the future. At the time, Allan was considering plans to open offices at Brockville and Prescott.[23] Despite public demand and competitive pressure, the Bank of Upper Canada remained disinclined to open new offices. In June of 1830, William Allan recorded that:

> I have had Mr Jones with me battling about our Establishing an office at Brockville–which as far as depends upon myself I am not in favour of at Present and I am pretty certain if it was Proposed to the Board they would be against it....[24]

It appears that a board for the approval of discounts had existed briefly in Niagara, but dissolved when the York directors could not find a sufficient number of shareholders to sit on it. It seems that the board of directors in York declined to delegate lending authority to anyone short of a board of shareholders. William Allan, recollecting his own experience as a local agent for the Bank of Montreal, seems to have been more flexible on this point, as shown by his correspondence with John Macaulay at Kingston.[25]

The procedure for the approval of discounts followed by the Bank of Upper Canada and most other banks was for all proffered promissory notes to be examined and voted on by the board of directors of the bank. The system was cumbersome and full of delays, and often aroused the animosity of customers whose competitors were also bank directors. For customers dealing at offices some distance from head office, the system could be exasperating. At Kingston a delay of at least 10 days was the norm from the time of an application until its approval or rejection, even for routine discounts on the branch's best accounts. After examination by the local agent, the notes had to be sent physically to York. Postal service between these two towns was provided only twice weekly in the 1820s and 1830s,[26] and the board did not always sit daily for the approval of discounts. As well, many Kingston customers disliked the fact that rival businessmen in York, sitting on the board of directors, had the capacity to examine closely all their financial transactions and then pass judgment on them.

Bank of Montreal customers at Kingston experienced somewhat shorter delays, and their agent possessed some local authority, but this bank had made enemies by trying to stifle new banking ventures in Upper Canada, and it was regarded by some people in Kingston, and elsewhere in Upper Canada, as a foreign bank.[27] Anti-Montreal sentiment in Ontario would continue to be a factor in the growth of branch systems through the nineteenth century. Under these circumstances, the efforts of Kingston businessmen to establish their own bank are understandable. Their new banking institution began business as the Commercial Bank of the Midland District in 1832. John Strachan, for one, believed that the Commercial Bank would never have been established had the Bank of Upper Canada delegated local lending authority to its branches at Kingston, Hamilton and Niagara.[28] Strachan's comments support the view that the secondary towns of Upper Canada did not seek to establish locally controlled banks to help build regional metropolitan empires. Rather, they sought efficient and convenient means of discounting their notes and effecting payments to aid their own businesses, and that they were indifferent to the domicile of a bank's head office provided that it offered satisfactory service.

Peter Baskerville, in his comprehensive introduction to *The Bank of Upper Canada,* has described the three-tier structure for branch offices devised by William Allan.[29] The agency, at the lowest level, had the least local autonomy, though the agent could make recommendations to head office. Otherwise, the agency performed a largely clerical function. The branch, under the direction of a local cashier or manager, also had no lending authority, but was charged with the supervision of lending accounts and issuing notices for non-payment of loans. The local board was the highest level, and had authority to discount. The higher two levels were considered branches under the Bank of Upper Canada terminology. In actual practice the system did not work so neatly. The Bank of Upper Canada seldom appointed local boards, and those that did exist rarely worked effectively. At the bottom end, local agents varied considerably in their authority and influence.

Attempting to strengthen its presence in eastern Ontario, the Bank of Upper Canada opened a Brockville agency on the withdrawal of the Bank of Montreal from that town in 1830 and another in Prescott, which remained only a year. The directors re-established a Niagara board in 1832, diminishing criticism from that quarter of the province. A Kingston board was set up late in 1830, though its decisions seem to have been dominated by the opinions of John Macaulay, the Kingston agent of the bank since 1824, who had become indispensable to head office for his advice concerning Kingston accounts. Macaulay insisted that the limits established for himself and the board at Kingston, of £1,250 per note, £5,000 per borrowing customer, and a total of £40,000 for the office, were entirely inadequate.[30] In response, William Allan argued that the restricted capital of the bank did not allow these limits to be raised. The correspondence suggests that friction existed between William Allan and Thomas Ridout, the cashier of the bank, who favoured a more expansive policy for the bank.

For a couple of years after 1829, William Allan had lobbied the Legislative Council successfully to resist all attempts to charter new banks in Upper Canada. In return, in order to successfully defend his bank's virtual monopoly, Allan attempted to have the authorized capital of his bank doubled so that it might undertake its business on a larger scale and from additional offices. The bank's foes, fearing an enlarged monopoly by the Bank of Upper Canada, succeeded in blocking the measure in the Legislative Assembly. The stand-off was resolved in 1832 with the chartering of the

Kingston-based Commercial Bank of the Midland District; simultaneously, the Bank of Upper Canada was allowed to double its capital.[31]

The Bank of Upper Canada quickly set up a string of branches and agencies, most in towns vacated by the Bank of Montreal when it had retreated from the province late in 1830. The branch system of the Bank of Upper Canada numbered 11 offices by July 1832, and 12 in 1833.[32] Simultaneously, the bank improved its level of service. It made no charge for transfers of funds between branches or to head office; it began to sell foreign exchange at a uniform rate at all branches; and levied a reasonable charge for domestic drafts on head office at a rate of 1/8% to 1/4%.[33] William Allan and the cashier, Thomas Ridout, operated the expanded branch system with a greater degree of supervision and co-ordination than in the 1820s.

The new Kingston-based Commercial Bank initially established offices only in Toronto and Kingston. When the truce between the Bank of Upper Canada and the Bank of Montreal broke down in 1833, the Bank of Montreal quickly reached an agreement with the new Commercial Bank, acting as its agent for Upper Canadian foreign exchange business. The Bank of Montreal closed its office in Kingston, and the Commercial Bank began to set up a chain of branches, which within a few years became the most extensive yet seen in Upper Canada. It also acted as the Upper Canadian agent for the Bank of Montreal.[34]

At the end of 1833, the Bank of Upper Canada had achieved control of much of the hinterland banking in Upper Canada, but the total number of banking offices in the province was approximately the same as it had been a decade earlier, when the Bank of Montreal had had a large presence in the province. The dominance of the Bank of Upper Canada proved to be short-lived. Through the mid-1830s, the Commercial Bank gradually asserted itself in the hinterland, particularly in the area east of Toronto: for example, it confronted the Bank of Upper Canada in 1836 in

Brockville with a branch having a local board for the approval of discounts.[35] Although the number of banking points increased in the years after 1833, the cost of foreign exchange in Upper Canada also increased under the new arrangement between the Commercial Bank and the Bank of Montreal.[36] The Bank of Upper Canada still offered an alternative, though probably even more expensive, through its own connections in Montreal, and through its New York correspondents, Prime, Ward, King and Co.[37]

Despite the new offices opened in 1832 and 1833, William Allan remained reluctant to open new branches. He claimed that the outlying offices were operated at great expense, and suggested that they existed in large part to placate the public, rather than to enhance the profitability of the bank.[38] Although not always followed religiously, it was the practice of the Upper Canadian banks to open offices only in towns were stock had been subscribed.[39] The cautious branch policy of the Bank of Upper Canada received endorsement from John Macaulay, its Kingston agent, when the ambitious plan of the new Commercial Bank to set up an extensive branch system became known:

> I think they are in the way of committing a great mistake by appointment [of] a numerous list of agents. There is risk in this especially when men in trade are the agents and their standing not thoroughly known. I doubt not there is a body of malcontents at York ready to support an agency of the Commercial as soon as it can be set up. For my part I expect soon to see two or three more Banks agoing among us.[40]

Macaulay's remarks display a certain trepidation at the prospect of competition, and an awareness that some merchants in York did not enjoy good relations with the Bank of Upper Canada. It is also evident in Macaulay's comments that the personnel policies of the banks of the time, in appointing local merchants as their agents rather than training professional bankers in junior capacities before appointing them as managers, created operating problems and the potential for losses at the branches.

Figure 2.1

Banking Offices in Upper Canada – 1833

12 Towns

town	Bank of Upper Canada	Bank of Montreal	Commercial Bank	total
Amherstburg	x			1
Brockville	x			1
Cobourg	x			1
Cornwall	x			1
Hamilton	x			1
Kingston	x	x	x	3
London	x			1
Niagara	x			1
Perth	x			1
Port Hope	x			1
Sandwich	x			1
York	x		x	2
totals	12	1	2	15

[Chief Sources: Peter Baskerville,*The Bank of Upper Canada;* Merrill Denison, *Canada's First Bank.*]

Notwithstanding William Allan's claim that agencies of the Bank of Upper Canada were opened in part to placate public demand, the bank largely restricted its offices to towns that had subscribed to a significant amount of share capital. This policy, in placing banking offices in localities already possessing surplus capital, tended to retard economic growth and aggravate regional disparities in the newest areas of the province, where few shareholders resided. In Allan's defence, it should be acknowledged that he had the interests of the shareholders to consider, as well as those of hinterland businessmen. Allan believed that the bank had insufficient capital to undertake rapid expansion. At its inception, its authorized capital had to be reduced from £200,000 to £100,000 before it commenced business, and the provincial government supplied half of this reduced amount. The bank was not able to restore the original authorization until 1832.[41] When the Bank of Upper Canada sought a further increase in its authorized capital late in 1833, it held out the promise of more banking offices as a carrot to distrustful members of the legislature: "....yet there are many other places to which Branches would be extended, did not the limited means of the Institution render such a measure impracticable."[42]

Until the early 1830s all banks encountered obstacles in securing adequate capital. Bankers of this era viewed share capital and banknote circulation, rather than deposits, as the significant liabilities. Financial expansion in the economy, therefore, depended on selling more shares and keeping banknotes in circulation. The opinions of bankers regarding deposits moderated somewhat during the 1830s, though the Bank of Upper Canada seems to have valued the deposit business of only the provincial government.[43] The other banks held more advanced positions, as they noted the gradual accumulation of surplus capital and savings in the province. When the Commercial Bank and the Agricultural Bank began paying interest on deposits in 1834, the Bank of Upper Canada adhered to its old policy, and steadfastly refused to follow suit.[44] The bank's disinterest in deposit business may have stemmed from its lending policy. The standard loan at Bank of Upper Canada carried a relatively long term of fifteen months.[45] Should the bank have had a large deposit ledger, and should a run on this deposit money have occurred, a liquidity crisis would have ensued that might have led to suspension of payment, and ultimately the failure of the bank itself.

Though the Bank of Upper Canada had unrestricted powers of note issue, expansion of facilities was, effectively, tied to the capital investment in the bank, and the slow expansion of share capital rendered the bank incapable of tapping all the potential business in the province. In rejecting an 1832 request for a branch at St. Thomas, T.G. Ridout explained that the demands of existing accounts for loans strained the bank's capital, even though it had been recently increased, and therefore precluded an opening at St. Thomas.[46]

The combined effects of long credits, disinterest in deposits, and a conservative expansion policy caused the bank to be a far less effective tool of Toronto's metropolitan expansion than it might otherwise have been. Dissatisfied with the Bank of Upper Canada, hinterland businessmen, and even some in Toronto, readily transacted their banking business with Montreal banks, and some made plans to establish their own rival institutions. A cycle of prosperity in the Upper Canada economy facilitated the expansion of the banking capital that occurred in the early 1830s. In 1832 the Bank of Upper Canada and the new Commercial Bank sold easily new stock issues of £100,000 each.[47] This tripled the bank capital of the province, and set the stage for the rapid extension of branch banking during the remainder of the decade.

A boom in the opening of branches of all chartered banks in the province occurred in the four-year period leading up to the panic of 1837. Within a year of the commencement in 1836 of Upper Canada's third chartered bank, the Hamilton-based

Gore Bank, Craig McIvor has stated it opened at least 10 branches, in a chain extending as far east as Prescott.[48] However, there is some doubt about the accuracy of this figure. If all these branches did open, several fell as victims of the 1837 financial panic: in 1840, the Gore was operating only six branches.[49] The Commercial Bank, as has already been noted, pursued an aggressive branch policy in its first five years, considerably outstripping the Bank of Upper Canada. It operated from a total of 15 offices by 1837, compared to the six branches of its older Toronto rival.[50] Undoubtedly, a large number of the Commercial's offices existed at points where the Bank of Montreal formerly operated. At the onset of the 1837 panic, at least 23 offices of chartered banks were open in the province, almost double the total of 1833.

As the banking system expanded, it became necessary, from a purely practical aspect, for the three chartered banks active in Upper Canada to maintain reciprocal arrangements with one another. In the late 1830s, banknotes were exchanged once per week at Toronto, with amounts owing or due accumulating on the books of each of the banks. They effected a monthly settlement of these differences by draft. It is less clear whether additional exchanges took place in towns with competing bank offices, but it appears that this was not the case. No local exchange took place at Hamilton, for example, where all three of the Upper Canadian banks conducted business.[51] The system was awkward, inefficient, and prone to loss, with bundles of banknotes in regular movement through the postal system of the province.

There were inefficiencies as well in the other operations of the banks. The board of the Gore Bank, for example, considered new loans and renewals only one day per week. By the mid-1830s, loans normally had 90-day terms, though 60 and 120 day periods applied in some cases, a considerable reduction from the normal 15-month notes that had constituted a large part of the Bank of Upper Canada's loan ledger only a few years before. The Gore approved renewals only if half the loan were repaid.

This represented a considerable reduction in the length of credits from the early days of the Bank of Upper Canada, when a reduction of only 20% had been required for renewal.[52] In another innovative step, the Gore Bank demanded that collections be made payable only in the principal towns where the bank did business, not necessarily in towns where the promissors or obligants resided.[53] This was to simplify legal matters if a note were protested. Even so, unpaid notes created headaches for the Gore Bank, as it conducted business over a wider area, portions of which were far from any of its branches. Other operational aggravations could arise from even the best of customers. In 1837 Isaac Buchanan advised Andrew Steven of the Gore Bank that: "I make all our customers' acceptances fall due between 1st and 10th of each month, so as not to be annoyed with banking business all the time."[54]

The question of allowing interest on deposits began to be debated in banking circles in the late 1830s, though the practice was already well established in Scotland at that time. Interest-bearing deposits seem to have been introduced into Upper Canada by the joint-stock banks which appeared after 1835. The Bank of Upper Canada consistently resisted the practice, but the Commercial Bank accepted it in a limited way, allowing interest in particular localities to maintain its market share. The Gore Bank remained uncertain on the matter. The directors discussed deposit interest at a meeting in 1836, but did not come to an official position. Reportedly, the Gore Bank paid interest on some classes of deposits during 1837, but by 1838 Andrew Steven, the cashier, reported interest was allowed on only one account, that of a government road commission.[55]

In a larger context, interest payments were no novelty in British North America. Savings banks existed in Montreal from 1819 and in Quebec City from 1821. The Kingston Savings Bank opened in 1822 and the Home District Savings Bank in Toronto followed in 1830. The promoters of these savings banks designed them with a philanthropic objective, to promote thrift and sound values among the working classes and the poor. They paid interest at rates of 3% to 5%; the deposits in turn were invested primarily in chartered bank stocks and debentures. An upper limit on interest-bearing deposits, generally £50, was the rule.[56] Though of some significance in the financial sector, by providing additional bank capital and a local market for debentures, the savings banks played little part in the development of the banking system, and none in the growth of hinterland banking. This segment of the market, the modest savings of ordinary people, did not appeal to the chartered banks at this time. In the end, the banks probably rejected interest on deposits in the 1830s because they reasoned it would mean an increase in expenses without a corresponding increase in deposits, loan interest income, or market share: a interest rate increase by one bank would be immediately matched by the others. All banks of the time saw no advantage to an increase in deposits; none used effectively the money they already had on deposit.[57] From the experience of 1832, the banks had concluded that expansion of their systems could be supported by new share issues. In a newly-settled area such as Upper Canada was at the time, the banks were concerned with credit creation and monetary expansion, rather than tapping the minuscule savings in the hinterland communities.[58]

A new arrival in Upper Canada in 1837 was the Bank of British North America, based in London, England, which opened a Toronto branch in that year. Operating under a royal charter, the bank proposed to conduct business in all the North American British colonies. The communications problems in conducting a widely-dispersed Canadian banking operation from London at this time are obvious, and this bank never managed to resolve them completely. Perhaps the greatest effect of the new arrival was to challenge the domination of the Bank of Montreal over foreign exchange business. Benjamin Holmes, cashier of the Bank of Montreal, tried to mobilize the three Upper Canadian banks to exclude the intruder, which, Holmes claimed, was endeavouring to monopolize the banking business of both Upper and Lower Canada.[59]

The branch policy of the Bank of Montreal in Upper Canada in the late 1830s is worthy of closer examination. This bank had a stronger presence in the Upper Canadian hinterland in the 1820s than did the Bank of Upper Canada. The Bank of Montreal actively sought the banking business of the smaller centres in this decade. Undoubtedly, much of this business derived from the connections of Upper Canadian merchants to Montreal wholesalers.

After the specie skirmish with the Bank of Upper Canada in 1829, the Bank of Montreal had agreed to retreat to Lower Canada, excepting its Kingston branch. Despite the lucrative army and Rideau Canal accounts, and the ample volume of commercial business available in the province's second largest centre, this branch had been closed in 1832, within months of the commencement of the Commercial Bank, ostensibly due to the transfer of the government account to the Bank of Upper Canada[60] in 1832. The 1830 charter renewal of the Bank of Montreal restricted its activities to Lower Canada, and the Upper Canada legislature confirmed the exclusion by not recognizing its banknotes.[61] The Bank of Montreal could have attempted to circumvent the restrictions, especially in the eastern part of the province, but chose not to do so. The Commercial, based in Kingston, undoubtedly drew upon local patriotism to cause an erosion of the Montreal's business. In any event, it is obvious that the Bank of Montreal had concluded that a profitable business could no longer be conducted in this town, and contented itself with the role of Montreal agent for the Commercial. The Commercial Bank, in turn, acted as agent for the Bank of Montreal in Upper Canada. In a limited sense, it became co-opted into the Montreal metropolitan orbit.

During the mid and late 1830s, the Bank of Montreal increasingly sought its profits in foreign exchange dealings. It performed these transactions for both the Upper Canada and Commercial Banks, both of which established branches in Montreal largely for this purpose. The branch opening policies in the 1830s of both the Commercial and the Gore, and to a lesser extent the Bank of Upper Canada under the presidency of William Proudfoot, who replaced William Allan in 1835, attest to the fact that there was a strong demand for banking facilities in the smaller centres, and that Upper Canada's bankers believed some of it could be exploited profitably.

Political pressure for increased banking accommodation in Upper Canada, both in the number of banking offices and in aggregate credit availability, continued through the mid-1830s, outpacing the ability of the banks to set up new branches. One result, during the 1836-7 legislative session, was the passage of bills allowing the chartering of nine new banks and increasing the authorized capital of the existing ones. Constrictions in the capital markets after the 1837 financial panic prevented any of the new banks from commencing operation. The fact that the new banks were to be based in smaller centres (Brockville, Cobourg, Niagara, Prince Edward County, St. Catharines, London and Sandwich[62]) attests to the demand for increased banking facilities outside Toronto, and the failure of all the schemes demonstrates the problems in raising substantial amounts of capital in the hinterland. It is also worthy of note that most of these towns had a branch of an existing bank. In the view of hinterland businessmen, the existing system did not function in a satisfactory way.

Though the Montreal banks were legally forbidden to operate in Upper Canada after 1833, the spirit of the law was not always observed in practice. For example, the City Bank of Montreal employed an agent in Prescott in 1835.[63] There may have been other agents as well in eastern Ontario, who could have circumvented the law by carrying on all business by correspondence with Montreal. There was certainly a financial incentive for dealing with Montreal: customers could save at least 1½% on commercial paper by dealing directly with the Bank of Montreal, and similar amounts on exchange transactions.[64] These agents set the precedent for the correspondent relationships that would be established between the Montreal banks and a large portion of the Ontario private banks 40 years later.

The panic of 1837 ravaged Upper Canadian banking rather severely, causing a suspension of payment in specie for banknotes, an abrupt contraction of bank credit, and bulging portfolios of bad loans in bank head offices. The Bank of Upper Canada had expanded the scope of its business greatly between 1835 and 1837, under the direction of its new president William Proudfoot, who rejected the extreme conservative banking theories of his predecessor, William Allan. Much of the new business after 1835 had been written at the branches. Some of it had been of doubtful quality. This, combined with improper supervision had resulted in a heavy concentration of losses at the branches. As a consequence, the bank restricted credit at the branch offices and a number of them were closed, reducing the branch system to five offices by the end of 1837.[65] When the bank reopened the credit tap in March 1838, it made new advances only at the Toronto branch.[66] Naturally, this action deepened the effects of the depression in rural Upper Canada and incited fresh opposition to the Bank of Upper Canada in these quarters.

In 1838 and 1839, the Bank of Upper Canada again attempted to change its role in the financial system, by partially withdrawing from commercial discounting and concentrating its resources on exchange transactions at New York. At times it was possible to earn margins of 4% and 5% on this business. The Bank of Upper Canada's close relationship to the government, and the large quantity of specie it received through the commissariat account of the British army, combined to support this change in focus away from the Upper Canada hinterland.[67] The Commercial Bank attempted to pick up some the hinterland business, and operated 14 branches in the late 1830s, compared to the five of the Bank of Upper Canada.[68]

The Commercial Bank had been acting as the Upper Canadian agent for the Bank of Montreal on a reciprocal agreement since 1833, but a number of practical problems rendered the arrangement awkward and impractical, not the least of which were continuing poor economic conditions in Upper Canada in the late 1830s, and a persistent shortage of specie. Although there is no evidence of animosity between the two banks, both wanted out of the agreement by 1838. Early in 1839 the Commercial Bank attempted to open a branch in Montreal to handle exchange and wished to hire a Bank of Montreal employee to run it. Surprisingly, the Bank of Montreal agreed to the proposal.[69] The latter bank was already tapping the Upper Canadian trade through an exchange arrangement with the unchartered Farmers' Bank and, since 1838, its indirect control of the Bank of the People, based in Toronto.

In December 1839 the Bank of Montreal hired Joseph Wenham, formerly of the Bank of Upper Canada, as its agent-at-large in Upper Canada. Wenham proved to be a great asset to the Bank of Montreal at this particular time. He had commenced his career as the accountant at the head office of the Bank of Upper Canada in 1822, and later had been agent of this bank at Brockville and Montreal.[70] He brought with him a detailed knowledge of the workings of the Bank of Upper Canada and its major customers.

The Bank of Montreal did not become fully determined to re-enter Upper Canada in a major way until well into 1840, long after Wenham had been hired. The persuasive efforts of Peter McGill and one or two other members of the board were responsible for the change in policy. Popular agitation supported the efforts of the Bank of Montreal to return to Upper Canada. The bank indicated its intentions with a petition to the Upper Canada legislature for legal sanction to do business in the province. The City Bank of Montreal produced a similar petition.[71] In short order, the Bank of Montreal would again become the dominant power in hinterland banking in Upper Canada.

b. The Private Banks of the 1830s

One consequence of the pressures for new banking facilities in the 1830s was the emergence of a group of private banking firms. Unlike Canadian chartered banks, which modelled themselves in many respects after Scottish and particularly American examples, these private banks took the joint-stock banks of England as their models, and operated under the provisions, of dubious authority in Upper Canada, of the English Bank Acts of 1826 and 1833, which had enlarged the powers of joint-stock banks. All issued banknotes, and offered a similar range of services to those of their chartered competitors. The partners of these firms assumed personal liability for all debts incurred in the course of their operations. Four of these banks are fairly well-known in both documentary sources and the secondary literature, having reported their activities, however sporadically, to the government.[72] Three, the Farmers Banking Company, the Bank of the People and the Agricultural Bank, had their bases in Toronto, though their names suggested an orientation to hinterland business.

These joint stock banks soon acquired a large volume of business. If we can assume that the banks reported their banknote circulation honestly, the private banks accounted for between 17% and 18% of the banknotes in circulation in 1837, though the oldest of the firms had been in business only three years at the time. The aggregate circulation of these banks was approximately double that of the Gore Bank in 1837.[73]

A notable feature of these joint-stock banks was their partisan political character. Reform leaders in the province wished to have alternate banking facilities to the perceived oligopoly of the existing chartered banks, and in particular, the Bank of Upper Canada. Radical leaders at the extreme fringe of the reform movement opposed in principle the notion of limited liability companies, as embodied by the chartered banks. As well, agrarian interests desired much more extensive banking facilities in the smaller communities, and wanted especially institutions which would cater to farmers.

The flexibility and specialization possible with a joint-stock bank answered many of these theoretical and practical needs, and their popularity was enhanced when the group of proposed new chartered banks failed to secure charters in the 1835-36 session of Parliament. The private banking firms embraced a wide range of reform opinion among their directors, ranging from Francis Hincks to William Lyon Mackenzie. Though overshadowed by the partisan reformers amongst them, the supporters of the private banks included many farmers and merchants who only desired improved banking facilities. Nevertheless, the political character of these banks accounted largely for their rapid rise to prominence, and contributed as well to their downfall.

The joint-stock bank movement began with the Agricultural Bank, based in Toronto. This firm began business in 1833 under the name of Truscott, Green and Co. Capt. George Truscott had retired from the Royal Navy; his partner, John C. Green, had some banking experience in England. From 1811 until 1818 Green had been at various locations in Canada with the Commissariat Department, acquiring familiarity with Canadian currency and exchange practices. In 1834 the firm was reorganized as the Agricultural Bank of the City of Toronto. Both partners were well-heeled, and though reliable financial data is sketchy, they seem to have invested close to £100,000 in the venture.[74] This bank provided Francis Hincks with his first Canadian employment in the financial sector.

Through a combination of misfortune and design, the upstart Agricultural Bank very quickly managed to annoy most of its contemporaries in the financial community. The firm pioneered in the payment of interest on deposits.[75] This novelty was so popular with the public that the Commercial Bank and the Gore Bank felt compelled to follow suit almost immediately on certain classes of their deposits. Another innovation was the Scottish practice of cash credits; that is, security was taken from the customer for credit to a specified limit. The customer then drew out money against the cash credit as needed. The Agricultural Bank often accepted real estate security, though Capt. Truscott soon began to feel nervous about the unstable land values of Upper Canada, which, in the event of a collapse, could undermine the value of the security he held.[76] The Agricultural Bank also enraged the Bank of Upper Canada by holding that bank's notes as part of its reserve, and presenting them for redemption when it needed specie. Capt. Truscott took seriously the Bank of Upper Canada's claim to be in an elevated position in the province, and he dealt with it in the same way that the British joint-stock banks dealt with the Bank of England.[77] Thomas Ridout of the Bank of Upper Canada orchestrated a campaign against the Agricultural Bank, including a refusal to accept its notes.

Despite the opposition of the Bank of Upper Canada, the Agricultural Bank managed to carry on, aided by disunity among the chartered banks and a considerable degree of public support. Immediately it began to set up a branch system, first at St. Thomas (where the Bank of Upper Canada had recently refused to open an office), then at Buffalo and New York City. The Agricultural Bank cultivated a large business along the Niagara frontier and engaged in considerable foreign exchange business.[78] The St. Thomas branch quickly tapped the agricultural sector south of London, securing a large volume of farmers' accounts in that region of the province.[79] The St.

Thomas branch drew customers from as far as London, where the Bank of Upper Canada had recently closed its office. During the early stages of the 1837 panic the chartered banks stepped up the pressure on the Agricultural Bank. The Bank of Upper Canada reversed its policy of refusing the notes of this bank, and began purchasing them in large quantities and presenting them for redemption in specie.[80] As his final strike, Thomas Ridout opened a branch of the Bank of Upper Canada in St. Thomas, not to cultivate agricultural business, but to remove the notes of the Agricultural Bank from circulation in western Upper Canada and present them for redemption.[81] The Agricultural Bank could not stand up to the pressure, and collapsed early in 1838.

The Agricultural Bank might have survived the panic had it not been for the defalcation of its New York agent with a considerable portion of the assets. Problems in Toronto were exacerbated beginning in the summer of 1837 by William Lyon Mackenzie, a former friend of the bank, who promoted a run on the Agricultural Bank by panicking the readers of his *Constitution* with stories that the Agricultural Bank was bankrupt.[82] To sustain the position of his bank, Capt. Truscott went to England to attempt to raise additional capital, and later attempted to recover some of his lost American fortunes. He did not return to Canada. The Agricultural Bank left £20,000 of unredeemed notes in its creditors' hands and £18,000 of unrepaid deposits. Only £7,000 of assets could be realized to offset these liabilities.[83]

The success, early in its life, of the Agricultural Bank led to the formation of the Farmers' Bank in 1835 by a group of Upper Canada's most prominent reformers, an assemblage that had briefly included Capt. Truscott of the Agricultural Bank and Francis Hincks. For their manager, the promoters hired Henry Dupuy, who had been connected with the Bank of Montreal at its Kingston branch between 1818 and 1833. The Farmers' Bank dealt extensively in foreign exchange with the Bank of Montreal.[84] The presence of Dupuy suggests that this bank may in fact have been sponsored by the Bank of Montreal as a means of re-establishing connections with its old Toronto customers, though no hard evidence exists to support this hypothesis. Actual ownership rested in a group of Toronto reformers, who included Marshall Bidwell, James Lesslie and David Gibson. Dr. John Rolph served as the first president. Political infighting characterized its early months. Capt. Truscott proved to be no reformer at all, and was forced out. A number of the more radical shareholders considered that the Farmers' Bank was not sufficiently partisan. They left to form the Bank of the People.

There were extended efforts to make the Farmers' Bank broadly-based across the province, but these failed due to the bank's poor image resulting from the political squabbles and the perceived danger of the unlimited liability of shareholders, many of whom were believed to be men of limited means.[85] Despite the effort to secure hinterland support, no branches were opened outside Toronto. The Farmers' Bank was on the list of applications for charters in 1835-6. Considering the anti-chartered-bank positions of many of the directors, this may have been an attempt to gain additional shareholders, and certainly reflects that there was no political unanimity among its promoters.

The Farmers' Bank survived the panic of 1837 in better condition than the chartered banks, suspending payment on its notes for only two weeks. A fresh crisis occurred in 1842, when the Farmers' Bank engaged in a brief war with the Gore Bank. Following the failure of another joint-stock banking firm, the Niagara Suspension Bridge Bank, the Gore announced that it would no longer accept the notes of the Farmers' Bank, arguing that all the private or joint-stock banks were unsound. The Farmers' Bank countered with charges that the Gore Bank authorized excessive loans to its own directors. The animosity incorporated a distinct political dimension, with the Gore's cause championed by the Hamilton *Journal,* and Farmers' Bank supporters sniping from the Hamilton *Gazette* and the Toronto *Examiner,* the latter controlled by Francis Hincks.[86] The affair resulted in a serious run on the Gore Bank at its Toronto branch. The weakened Farmers' Bank was ultimately taken over by the Bank of Montreal in the early 1850s.

A group of defecting Farmers' Bank shareholders, led by James Lesslie and supported by his close friend William Lyon Mackenzie, established the Bank of the People in 1835. Lesslie assumed the presidency, and the group hired Francis Hincks as the first cashier. Curiously, given his vehement ravings against chartered banks over the previous decade, Mackenzie promoted a bill in the Assembly for a charter for the Bank of the People in 1836. During the financial difficulties of 1837-38, the Bank of the People was the only Upper Canadian bank not to suspend payment, probably because Hincks had chosen to conduct the business soundly and on a modest scale.

The Bank of the People suffered from its radical associations during the unpleasantness of December 1837, and the *British Colonist* charged that the institution suffered under Hincks's allegedly inept management.[87] Early in 1838, a syndicate of Bank of Montreal shareholders purchased control of the Bank of the People. The Bank of Montreal at this time was itching to resume a general banking business in Upper Canada, and particularly Toronto. The Toronto Board of Trade abandoned the home-town Bank of Upper Canada and supported the Bank of Montreal's efforts to set up offices in Toronto and elsewhere in Upper Canada, going so far as to petition the Assembly to allow the Bank of Montreal into the province.[88] The merchants of Toronto, it seems, considered that enlarged opportunities to secure credit and efficient channels for effecting payments provided a greater benefit to themselves than preserving the oligopoly of the Upper Canadian banks. To these merchants, ownership of banking facilities was not a consideration in either furthering or impeding the growth of metropolitan relationships between Toronto and its hinterland. To them, the

Bank of Montreal offered additional facilities for extending the domain of Toronto's mercantile sector.

Control of the Bank of the People allowed a convenient foot in the door for the Bank of Montreal in Upper Canada. Over the next two years the Bank of the People opened branches in Amherstburg, Cobourg, St. Catharines, and St. Thomas. The Bank of Montreal purchased the Bank of the People outright in May 1840 for £50,000,[89] an amount equal to 10% of its authorized capital. The Bank of Montreal directors found no difficulty in dealing with Francis Hincks, despite the fact that his political opinions were opposite to their own.[90] In the following two decades, the Bank of Montreal would dominate hinterland banking in the upper province.

The smallest of the joint-stock banks which reported to the government, the Niagara Suspension Bridge Bank, attracted most of its capital in the United States, and restricted its business to the Niagara frontier.[91] A truly international operation, it maintained offices in Lockport, N.Y. and Chippewa. Organized in 1836, it survived the worst of the 1837 panic but ran into difficulties in 1841. The following year it lived up to its name and suspended payment.[92] With its only Canadian office on the Niagara River, it never played a major role in Upper Canadian hinterland banking.

Several other private and joint stock banks operated in the mid-1830s, and others were proposed, particularly in 1836 and the first months of 1837. All were set up to cater to particular niches in the financial marketplace, or to serve local needs. Among these was the Newcastle District Accommodation Bank, which appeared in Cobourg in 1835. A small-scale concern, this bank had 250 shareholders who invested £2 each. The bulk of the bank's liabilities consisted of banknotes which were redeemable twelve months after issue. The bank loaned money to farmers on twelve-month notes, with real estate taken as security.[93] Thus, theoretically, maturing liabilities would always be matched by liquid assets. The banknotes were intended to circulate only locally. It was a creative way of increasing economic development in less-developed and poorer areas of the province. Its circulating banknotes helped in maintaining local economic activity during the financial difficulties of the 1837-38 period. The Newcastle Bank also filled a niche: the chartered banks did not accept mortgages as primary security.

The Newcastle District Loan Company of Peterborough may have been a related firm. This bank circulated its own banknotes during the financial crisis of 1837-38, and continued to do so as late as 1840 by special permission of the government. Operations of this sort presaged the development of loan and mortgage companies in the 1840s and 1850s.[94]

The Freeholders' Bank of the Midland District followed similar principles to the Newcastle Bank. Established early in 1837, it loaned money to farmers for nine month periods on the security of their farms. The liabilities of this bank consisted chiefly of \$1 and \$5 banknotes. Technically, these were promissory notes payable in 12 months time.[95]

A group of well-placed public figures, including James M. Strachan, J.S. Macaulay, C.C. Small, William Cayley and John Ewart, promoted the Freeholders' Bank of Upper Canada, which was to be a chartered company employing the policies of the joint-stock banks. Several of its organizers were or would be shareholders in the Bank of Upper Canada, and Cayley was a director of that bank beginning in 1839. The proposed capitalization, at £1,000,000, would have made this by far the largest financial organization in the province. Branches were to be established in Districts subscribing £100,000, and mortgages could be given as security or as payment for stock, permitting cash-poor landowners to be shareholders. The organizers proposed to loan money at 6% on real estate security to a maximum of three times its capital, and would issue banknotes down to \$1, or 5 shillings.[96] Part mortgage company and part bank, this proposed company, with its liberal credit principles, appealed to those in the hinterland who favoured easy credit for farmers; however, it never proceeded past the initial organizing stage.

The expansion of the joint-stock and privately owned banking firms received a setback in March, 1837 with the passage of an act of the legislature forbidding unchartered banking firms from issuing banknotes. Exemptions allowed those already in business, the Agricultural Bank, the Bank of the People, the Farmers' Bank and the Niagara Suspension Bridge Bank, to continue circulating their banknotes. The Bank of British North America was also included in the exemption because it wished to issue notes smaller than those provided for in its Royal Charter.[97] It is entirely possible that some of the hinterland banking firms and individuals continued to circulate notes locally in defiance of the legislation.

The major reason for the passage of this bill was to check the flood of banknotes of spurious Canadian banks that entered into circulation early in 1837.[98] Most of these 'banks' circulated their notes in the United States, taking advantage of the monetary crisis and suspension of specie payment there. These spurious notes carried the domicile of a Canadian head office to evade the stringent American laws against private banking. At least six were supposedly based in Montreal, and several more in the smaller centres of Lower Canada. Others claimed Upper Canadian head offices: the Commercial Bank of Brockville, the Commercial Bank of Fort Erie, and the Oxford Bank. At first sight, these appear to be hinterland banking operations, but their sole activity was to circulate their banknotes, usually from Buffalo. Some of these were rather large-scale frauds. The principals of the so-called Bank of Ottawa, also known as the Ottawa Bank of Montreal, had in their possession $250,000 in face value of engraved banknotes, ready for circulation, when confronted by authorities in New York City.

Banknotes of the Commercial Bank of Brockville circulated in the rural areas of Upper Canada west of Toronto, but the bank was unknown in its domiciled town. Its banknotes, clever imitations of those of the Kingston-based Commercial Bank, played on the fact that the legitimate Commercial Bank had a branch at Brockville. The Commercial Bank of Fort Erie had at least the pretence of legitimacy, with an office in Fort Erie and a board of directors, most of whom were from Buffalo.[99]

The Canadian banks, both chartered and private, had originally welcomed the widespread circulation of their notes in upper New York State. Their position changed after the American banks suspended payment in 1837. The Canadian notes began to flock home, as Americans presented them in Toronto for redemption in specie.[100] The chartered banks, with larger circulations than the four legitimate joint-stock banks, suffered to a disproportionate degree. Isaac Buchanan, for one, believed that the flow of specie out of the country was the primary cause of the province's monetary difficulties in 1837, which ultimately led to suspension of specie payment in Canada.[101]

By 1840 the Bank of the People, under Bank of Montreal ownership, was the most significant of the surviving joint-stock banks, operating from five offices in the province. Joseph Wenham, the former Bank of Upper Canada man, replaced Francis Hincks on his resignation as cashier. When the Bank of Montreal absorbed the Bank of the People after the Act of Union in 1841, Joseph Wenham became manager of the Toronto branch.[102]

The joint-stock banks proved to be transitory phase in Canadian banking history. Arriving at an inopportune time, immediately before a major financial panic, they never achieved their aim of extending banking facilities to rural and hinterland areas. Of the many monetary schemes and theories of the 1830s, only the joint-stock bank was ever seriously attempted, and the evidence suggests that these banks received wide public support while they lasted. Interestingly, they found few advocates and defenders after they passed out of existence. In the post-1841 era, the chief theoretical question concerned a government banknote issue. The principle of a small number of large chartered banks, operating extensive branch systems, drew few serious critics. The private banking system that began to thrive in hinterland communities three decades later, during the 1870s, possessed no direct connection with the joint-stock and private banks of the 1830s. These earlier banks attempted business on a large scale, undertaking head-to-head competition with the chartered banks in all aspects of banking. They came into being during a brief interval when banking, monetary policy, politics and personality had become inexorably intertwined.

c. Branch Banking in the Province of Canada, 1841-60

Compared to the 1830s, banking entered a period of relative stability following the union of the two Canadian provinces. Led by the Bank of Montreal, the branch network mushroomed in the first five years of the union. The Bank of British North America, operating under imperial charter, entered the western province in a modest way, as did the City Bank of Montreal following its takeover of the Bank of the People. Six chartered banks operated in Canada West during the 1840s, but only the Bank of Montreal, the Bank of Upper Canada, the Commercial Bank and the Gore Bank operated hinterland branch systems of significance.[103]

In 1840 the Bank of Montreal again entered Upper Canada, initially re-establishing itself at Kingston and Toronto. By 1846 this bank operated 16 offices in the province, the largest number of any chartered bank. Interestingly, all these offices, except the one at Windsor, were located in towns where at least one other bank had an office. There were 57 banking offices in Upper Canada in 1846, but banking facilities existed in only 27 towns (see Figure 2.2), a vast improvement over the situation of 1833, but entirely inadequate to support the economic development of the province's hinterland regions.

The Bank of Montreal's strategy in duplicating the service offered by others is not clear. Perhaps the bank was pursuing a conservative policy, operating only in localities where there was a demonstrated profitable level of business available. The bank had operated in most of these towns before its retreat from the province in 1830, and may have been attempting to recover some of its old accounts. Doubtless, a primary function of these branches was to redeem the banknotes of its competitors for specie as quickly as possible. Aside from their usefulness in note redemption and other types of monetary manipulation, a considerable legitimate banking business was available to the branches west of Montreal. According to Peter McGill, the outlying branches in Upper Canada soon proved to be very profitable, employing 58% of the bank's staff in 1844. Eight of the bank's nine part-time agents were in Upper Canada at this date.[104]

The Bank of Montreal, and some other banks as well, maintained the practice of having a portion of their banknotes domiciled for each branch of the bank, and of redeeming these notes for specie only at their domiciled branches. The methods employed in the handling of banknotes created immense operating inefficiencies, particularly at the outlying offices. For example, the Simcoe branch of the Bank of Montreal normally accumulated the notes of other chartered banks, as well as those of its own branches, and each month rented a buggy for staff members to take the notes to the Brantford branch for redemption and distribution. On the return trip the next day the staff brought home the 'Simcoe' banknotes which had accumulated at Brantford over the previous month. The sums involved, £20,000 to £30,000 per month,[105] show the volume of business that could be conducted at even a small Upper

Figure 2.2

Banking Offices in Upper Canada – 1846

27 Towns

town	Bank of Upper Canada	Bank of Montreal	Commercial Bank	Gore Bank	Bank of BNA	City Bank	total
Barrie	x						1
Belleville		x	x				2
Brantford		x		x	x		3
Brockville		x	x				2
Chatham	x			x			2
Chippawa	x						1
Cobourg		x	x				2
Cornwall	x	x					2
Dundas					x		1
Galt				x			1
Goderich	x						1
Guelph		x		x			2
Hamilton	x	x	x	x	x		5
Kingston	x	x	x		x		4
London	x	x	x		x		4
Niagara	x						1
Oshawa			x				1
Ottawa	x		x				2
Picton		x	x				2
Port Hope	x	x					2
Port Stanley		x	x				2
Simcoe				x			1
St. Catharines	x	x	x				3
St. Thomas		x		x			2
Toronto	x	x	x	x	x	x	6
Windsor		x					1
Woodstock				x			1
totals	13	16	12	9	6	1	57

[Chief Sources: *Smith's Canadian Gazetteer, 1846;* Merrill Denison, *Canada's First Bank;* Victor Ross, *History of the Canadian Bank of Commerce.*]

Canadian branch. Conversely, the system could be put in reverse, should a bank wish to maintain its circulation at an artificially high level, by issuing notes with out-of-town domiciles at its outlying branches.

At the surface this practice of assigning banknotes to individual towns would seem to be an example of the banks creating their own operating problems. The British Treasury Board had been pressuring the provincial government to make all banknotes redeemable at both the domiciled branch and at head office of each chartered bank. Upper Canadian bankers always resisted fiercely.[106] Their position was based on their wish to assign their specie reserves efficiently, and they did not wish to tie up major quantities of specie at small branch offices against the contingency that a large quantity of banknotes might be presented for redemption. By domiciling the notes they could match circulation to reserves at each office.

The Bank of Montreal found a way to use this system to its own competitive advantage. It would often accumulate large quantities of competitors' banknotes and present them for redemption at times inconvenient to the other banks. These competitors had to have large quantities of specie on hand at all branches against such a contingency. Not only did this practice tie up a large portion of Canada's bank capital unproductively, but it also had the potential to cause a loss of public confidence should the redeeming branch be caught short and forced to make settlement by signing over some of its discounted paper. It also discouraged the Upper Canadian banks from opening additional branches. The Bank of Montreal had employed this competitive strategy during its 1829 skirmish with the Bank of Upper Canada, and continued to apply it against its shakier competitors as late as 1870.

The Upper Canadian banking system of 1846 remained relatively static in size until well into the 1850s. Between 1846 and 1853 the number of banking offices increased from 57 to 63, and banking facilities were extended to seven towns which had previously lacked them. The system experienced more instability than these figures suggest. Altogether, 16 new offices were opened between 1846 and 1853, but 10 replaced other offices which were closed. The Bank of Montreal operated the most stable of the branch systems, closing only one, at Windsor, and opening three others: Bowmanville, Ottawa and Peterborough. The Windsor office was later reopened. The Bank of Upper Canada undertook a more aggressive branch policy in the late 1840s, opening six offices, four of which were in towns with no other bank: Napanee, Cornwall, Darlington and Stratford. With 18 offices in Upper Canada by 1853, the Bank of Upper Canada had caught up with the Bank of Montreal and shared first place with it in the size of its branch system. The conservative Bank of British North America maintained its branch network at six offices. The other chartered banks, the Gore and Commercial, seem to have had a less satisfactory experience with their branches. The Commercial closed four offices between 1846 and 1853, and opened two. The Gore Bank closed its Brantford agency, but opened another in nearby Paris, and others in Galt and London.

Although the branch bank network had experienced some growth in the years up to 1853, it remained geographically concentrated in towns along the shore of Lake Ontario, on the road from Montreal, and along the mail routes between Toronto and Windsor and Niagara that had been established in 1815.[107] This corridor between Windsor and Montreal remained the principal communications line in the province after the completion of the first telegraph lines in the 1840s and was perpetuated in the 1850s in the routes of the province's first two major railways, the Grand Trunk from Montreal to Toronto, and the Great Western from Toronto to Windsor and Niagara.[108] In 1853, 22 of the 33 towns with banking facilities were located in towns on this corridor.

Between 1853 and 1857 the Upper Canadian bank network experienced a period of explosive growth. The number of offices increased from 62 to 91, with facilities available in 42 towns, compared to 33 in 1853 and 27 in 1846 (see Figure 2.3). Overall, the bulk of the growth had occurred in hinterland towns, those not on the main mail and transportation corridor. Ten of the fourteen towns added to the list were in the hinterland, and the corridor lost two banking towns, with the closing of the Commercial Bank in Oshawa and the short-lived Darlington agency of the Bank of Upper Canada.

The growth of the branch network reflected a general increase in banking activity. In the parliamentary session of 1852-53, several established banks sought to increase their capital, and various groups of capitalists sought charters for new banks. At first Francis Hincks discouraged new charters and increases in capital, in the belief that his free banking scheme could satisfy all the needs of the province for expanded banking facilities. By 1854 he recognized that the lack of native capital hindered growth in the banking system, and that increases to the capital of large, well-known chartered banks would draw investment from Great Britain, and supported an additional increase to £1,500,000 in the authorized capital of the Bank of Montreal.[109] Of the various new charters granted between 1852 and 1857, only two, the Bank of Toronto (1855) and the Ontario Bank (1857), would operate branch systems of significance in the province. The circumstances surrounding the origin of the Bank of Toronto demonstrate the continuing frustrations experienced by particular sectors of the economy with the banking system. Projected by a number of millers in Toronto and elsewhere, its title was originally The Millers, Merchants and Farmers Bank of Canada West. These millers sought a dependable and efficient means to finance the purchase of their grain, and the brokerage, transportation, and insurance costs associated with their business. The Bank of Toronto made a determined effort to sell its stock in the prosperous regions of the hinterland, promising to open a branch in any

Figure 2.3

Banking Offices in Upper Canada – 1857

42 Towns

town	Bank of Upper Canada	Bank of Montreal	Commer- cial Bank	Gore Bank	Bank of BNA	City Bank	Bank of Toronto	other[a]	total
Barrie	a		**a**						2
Belleville	**a**	b	b						3
Berlin	**a**								1
Bowmanville	**a**	**b**				**a**			3
Bradford						**a**			1
Brantford	**a**	b		()	b				3
Brockville	**b**	b	b						3
Chatham	b		**a**	a					3
Chippawa	a								1
Clifton								**h**	1
Cobourg		b	()				**a**		2
Cornwall	a	a							2
Dundas					a				1
Galt			**b**	a					2
Goderich	a	**a**							2
Guelph		a		a					2
Hamilton	b	b	b	h	b				5
Ingersoll			**a**					**a**	2
Kingston	b	b	h		b				4
Lindsay	**a**								1
London	b	b	b	**a**	b				5
Niagara	a								1
Newcastle							**a**		1
Oakville							**a**		1
Oshawa			()						
Ottawa	a	**b**	()		**a**			**a**	4
Paris				**a**					1
Perth		**a**	**a**						2
Peterboro		**a**	**a**				**a**		3
Picton		a	()						1
Port Hope	a	a	**b**				**a**		4

Figure 2.3

Banking Offices in Upper Canada – 1857 (Cont.)

town	Bank of Upper Canada	Bank of Montreal	Commer-cial Bank	Gore Bank	Bank of BNA	City Bank	Bank of Toronto	other[a]	total
Port Stanley		()	a						1
Prescott			**a**						1
Sarnia	**a**								1
Simcoe		**a**		a					2
Southampton	**a**								1
St. Catharines	b	()	()					**h**	2
St. Marys			**a**						1
St. Thomas		b		()				**h**	2
Stratford	a		**a**						2
Toronto	h	b	b	()	b	b	**h**	**ab**	8
Whitby		**a**							1
Windsor	**a**	()							1
Woodstock		**a**		a					2
totals	23	21	17	8	7	3	5	6	92
totals 1846	13	16	12	9	6	1	-	-	57

[a] Includes note-issuing free banks.

Towns losing banking service since 1846 listed in italics.
Towns gaining banking service since 1846 listed in bold.

() = office closed
a = agency
b = branch
h = head office

[Chief Source: *Canada Directory, 1857.*]

community subscribing to £10,000 of stock.[110]

The Upper Canada branch system reached a peak in 1857, with a total of 91 branches, agencies, and head offices. The banking system as a whole experienced one of its periodic crises in 1857, which was arguably the most severe of the nineteenth century, and certainly so in its long-term effects on three of the four major banks doing business in the province, the Upper Canada, the Commercial, and the Gore. The hinterland branches felt the impact of changing banking conditions most severely. A financial panic in the United States produced a tight money market, and the crisis was aggravated in Upper Canada by a poor harvest, the collapse of a speculative land boom, and a series of frauds and defalcations in the banks themselves. Anticipating problems early in 1857, the banks began to constrict their credit to retail merchants,[111] with more severe credit restrictions following later in the year. The tight lending policies continued into 1858 and 1859. Retail merchants, the majority of whom were located in the hinterland, continued to complain about restricted credit. The banks closed a number of their offices, mostly their smaller agencies. The Bank of Upper Canada system, for example, shrank from 23 offices in the province in 1857 to 18 in 1859.[112] A new agency was opened at Clifton, but six others were closed, including agencies at Berlin and Southampton, towns where no other banking facilities existed.

Although the Bank of Upper Canada struggled on for almost a decade, it never regained its vitality following the 1857 banking panic. The start of its decline can be placed, according to Peter Baskerville, between 1856 and 1860, depending on what statistic is used.[113] Heavy borrowing by the Bank of Upper Canada's two largest accounts, the government of Canada and the Grand Trunk Railway, diminished its ability to service hinterland customers. As well, the Bank of Upper Canada found a large portion of its capital tied up in real estate, which had been taken for security on loans during the speculative land boom of the mid-1850s. The latter condition applied as well to the other two major Upper Canadian banks, the Commercial and the Gore, though the latter seems to have suffered as well from imprudent lending and an excessively high loss record on commercial lending accounts beginning in 1850 and accumulating through the decade.[114] As a result, the Gore Bank closed its Chatham office and reduced its lending at the six remaining branches.

The Bank of Montreal, with 20 offices in Upper Canada in 1857, operated the second largest branch network after the Bank of Upper Canada, and may well have led the list in bank assets in the hinterland, considering the Bank of Upper Canada's heavy commitments to the government and the Grand Trunk Railway. However, the Bank of Montreal began to move large quantities of money into the New York short-term call loan market when conditions there were advantageous, and where interest rates could at times exceed 12 per cent.[115] Bray Hammond has noted that:

> By about 1857 or a little later the Bank of Montreal was larger than any American bank and probably the largest and most powerful transactor in the New York money market, where it maintained and employed large sums. This raised the criticism that the bank, by taking Canada's precious funds abroad to deal with foreigners in Wall Street, was neglecting the domestic borrowers and the Province's interest.[116]

Even though its branch network may not have been its first corporate priority, the Bank of Montreal succeeded in establishing the most stable branch system in Upper Canada in the 1850s, and it pioneered branch administration techniques that its rivals did not adopt for decades. During the 1840s, its Upper Canadian branch system had been set up and supervised by William Gunn, the assistant cashier of the bank. After Gunn had been appointed the manager of the Quebec City branch in 1848, the quality of the supervision declined. Finding themselves on a rather free rein, a number of hinterland employees made speculative investments with bank funds and improper loans to favourite customers. As well, there was a rash of defalcations and a general laxity in branch routine.[117]

To correct the situation, the directors had created the position of Inspector of

Branches in 1852, with the intention of filling the office with regular branch managers on a two-year rotation. When this policy proved unsatisfactory, the directors looked outside the bank, appointing E.H. King, assistant manager of the Bank of British North America in Montreal, as Inspector early in 1857. King imposed a more centralized administrative structure and enforced a rigid system of routine through demotion and even dismissal of uncooperative employees. He began to transfer personnel between the head office and the branches, instituting a promotion and training policy that eventually was adopted by other banks. To back up King's administrative innovations, the directors separated the functions of the head office from the main branch business at Montreal by appointing a local manager there.[118]

Notwithstanding popular complaints that the Bank of Montreal held an excessive proportion of its assets in New York, it continued to add branches to its network in Upper Canada, which, by 1860, was again the largest in the province. Between 1857 and 1864 the Bank of Montreal added agencies at Elora, Fergus, Lindsay, Mount Forest, St. Mary's, Stratford, and Waterloo. Three other offices closed: Bowmanville (where the head office of the new Ontario Bank was located), Port Hope, and Woodstock.[119] It is significant that none of the new agencies were located on the Montreal to Windsor transportation corridor, and that all three closed offices were on this route. However, with the exception of Mount Forest, all the new offices were located on or near newly-completed railway lines. It would appear that efficient transportation and communications links were a necessary prerequisite for the geographical expansion of the banking system.

One of the consequences of King's appointment as Inspector of Branches and the Bank of Montreal's new administrative practices was a clearer demarkation between the branches and agencies. Agencies declined in importance, and agents lost whatever authority they may have held. They continued to cash and sell drafts, but the deposit accounts of their customers were kept on the books of the nearest branch, which handled all their deposit and loan business.[120] It appears that, after 1857, all offices of the Bank of Montreal classed as agencies were operated by part-time agents, who combined their banking responsibilities with some other business activity. Co-incident with King's appointment, the directors created a permanent building committee, which began to acquire and construct suitable buildings for its branches, all of which were located in the larger towns.[121] Even though the level of service fell short of the expectations of the hinterland, the Bank of Montreal surpassed all its rivals in extending banking facilities into new regions during the years immediately after 1857.

Through 1858 and 1859 loud complaints continued to be voiced by merchants, and general public discontent with the banking system as a whole persisted. When Alexander Galt replaced William Cayley as finance minister, he believed that a government banknote issue and the chartering of additional banks would answer the demands from the hinterland for better banking facilities.[122] The growth that took place in the 1860s, though, was not the result of government policy, but the aggressive expansionism of new upstart banks, particularly the Royal Canadian and Ontario Banks.

d. The Upstart Banks and Branch Banking in the 1860s

Of the new banks chartered in the 1850s and 1860s, only five became involved in setting up significant branch systems in the smaller centres in Ontario before 1870. The first to commence business, the Bank of Toronto, established four branches soon after it opened in 1855, and others in the following two years, but those in Oakville, Port Hope and Newcastle were closed in 1859. Its system then remained relatively static until the post-Confederation period. The reasons for this cautious branch policy are not entirely clear, but probably resulted from the inherent conservatism of George Hague, the general manager after 1864, and the fact that the Bank of Toronto remained closely associated with the milling industry, and carried on its books a relatively small number of large milling accounts. Hague and the directors preferred to concentrate on the existing business, rather than risk the exposure that would come with a rapidly expanding branch network.[123]

The Ontario Bank, chartered in 1857, was started specifically to meet the needs of the agricultural community. The location of its head office in Bowmanville reflected the non-Toronto orientation of its corporate goals. In its original conception, the Ontario Bank was intended to serve the farming communities of Ontario and Durham Counties and the immediate vicinity, but the provincial government insisted, in the interest of safety, on a capital of $1,000,000, rather than the $400,000 that its promoters originally proposed. The larger capital forced the directors to scale the operation up from their original intentions.[124] The Ontario Bank embarked on a policy of opening branches in the late 1850s, at the time when its older Upper Canadian rivals were reducing the scope of their hinterland activity. The lending accounts of millers and produce brokers were represented heavily on its loan ledgers, and it soon acquired the accounts of lumbermen, and later those of small-town manufacturers.[125] By 1864 the Ontario Bank operated offices in eight towns in addition to the head office, including Ottawa, Prescott and Alexandria in eastern Ontario. Its offices at Prescott, Alexandria and Dundas did not prove successful, but the bank continued to open new offices through the 1860s. In 1869 there were ten branches, the majority of which were located relatively close to the head office: Lindsay, Oshawa, Peterborough, Port Hope, Whitby and Toronto. The outlying offices were at Guelph, Waterloo, Hamilton and Ottawa.[126]

Figure 2.4

Banking Offices in Upper Canada – 1864

42 Towns

town	B. of Upper Canada	Bank of Montreal	Commer-cial Bank	Gore Bank	Bank of BNA	Ontario Bank	Bank of Toronto	other	total
Alexandria						**a**			1
Barrie	a		()				**a**		2
Belleville	b	b	b						3
Berlin	()		**a**						1
Bowmanville	()	()				**h**		()	1
Bradford								()	
Brantford	()	b			b				2
Brockville	b	b	b						3
Chatham	()		a	()					1
Chippawa	()								
Clifton								()	
Clinton			**a**						1
Cobourg		b					a		2
Cornwall	a	a							2
Dundas					a	**b**			2
Elora		**a**							1
Fergus		**a**							1
Galt			b	a					2
Goderich	a	a							2
Guelph		b		a		**b**			3
Hamilton	b	b	b	h	b	**b**			6
Ingersoll			a					a	2
Kingston	b	b	h		b				4
Lindsay	b	**a**							2
London	b	b	b	a	b				5
Mount Forest		**a**							1
Niagara	()								
Newcastle							()		
Oakville							()		
Oshawa						**b**			1
Ottawa	b	b			a			a	4

Figure 2.4

Banking Offices in Upper Canada – 1864 (Cont.)

town	B. of Upper Canada	Bank of Montreal	Commer-cial Bank	Gore Bank	Bank of BNA	Ontario Bank	Bank of Toronto	other	total
Owen Sound			**a**			**a**			2
Paris				a					1
Perth		a	a						2
Peterboro		b	a				a		3
Picton		a							1
Port Hope	b	()	b				()		2
Port Stanley			()						
Prescott			a			**a**			2
Sarnia	b								1
Simcoe		a		a					2
Southampton	()		**a**						1
St. Catharines	b							h	2
St. Marys		**a**	()						1
St. Thomas		()						()	
Stratford	()	**a**	a						2
Toronto	h	b	b		b	**b**	h	bb	8
Waterloo		**a**							1
Whitby		a							1
Windsor	b		**a**						2
Woodstock		()		a					1
totals	15	24	19	7	7	9	4	5	90
totals 1857	23	21	17	8	6	-	6	10	92

Towns losing banking service since 1857 listed in italics.
Towns gaining banking service since 1857 listed in bold.

() = office closed
a = agency
b = branch
h = head office

[Chief Source: *Canada Directory, 1864.*]

The most innovative and enterprising of the new banks, the Royal Canadian, which commenced business in 1865, never enjoyed sustained success, but in its first three years it built up the largest branch system in the province, with 21 branch offices in Ontario, 15 of which were opened in its first year of operation.[127] As several older banks had done at their commencement, the Royal Canadian promised to open a branch or agency at any point where a significant amount of capital was subscribed. Unlike other banks, the directors pledged to forfeit the stock subscriptions should the local office not be opened, and it advertised candidly its intention to establish branches on these terms.[128] The management took the promise seriously. Of its total authorized issue of 30,000 shares, 2,512 had been subscribed at points where no office had been opened by the beginning of 1868. At that point, in the words of the general manager, "the subscriptions were considered as null."[129] The rationale was that this policy would assure the bank of loyal supporters in each locality. Only one office, that at Fergus, was opened without any stock having been subscribed in the community. In 1869 the paid-up stock in the towns served by the Royal Canadian Bank varied from a low of $7,050 at Chatham to $104,490 at Bowmanville. Slightly less than 20% of the stock of the bank was held in Toronto, indicating that the directors had been successful in distributing the stock widely.[130] Adam Shortt believed that the policy also gave local stockholders major influence in the appointment of managers and the determination of local lending policy, and was the source of subsequent problems for the bank, from which it was never able to recover.[131] The start-up procedure was certainly an expensive one. In 1869 the bank still carried $17,600 in an account styled "Preliminary Expenses."[132]

The initial effort of the directors of the Royal Canadian Bank to disperse its stock holders as widely as possible across the Ontario hinterland reflected an explicit and continuing commitment to provide banking services in the smaller centres and rural areas of the province. Four of its offices, viz. Brampton, Newmarket, Port Perry and Seaforth, were in towns that never had enjoyed banking facilities, and in four other towns, Fergus, Clinton, Paris and Goderich, agencies of other banks had closed. While the Royal Canadian Bank commenced almost co-incidently with the demise of the Bank of Upper Canada, it did not duplicate or assume the branch system of its unfortunate competitor. It operated at only five points previously served by the Bank of Upper Canada: Hamilton, Port Hope, Kingston, St. Catharines and Toronto.

Although the evidence is sketchy, the Royal Canadian Bank seems to have operated all its offices as full branches, and to have delegated considerable authority to local managers. In the *1869 Ontario Directory,* all offices with the exception of Kingston are listed in the charge of agents, but the accounting methods used by the bank show all offices to be on an equal footing, with considerable autonomy.[133] The establishment of this large branch system and the recruitment of almost two dozen branch managers in the course of 30 months placed a great strain on the small Ontario banking community. Not surprisingly, some of the personnel had been employed in other banking institutions. This was the case with Thomas Woodside, the cashier, who had been the manager of the Toronto branch of the City Bank. Woodside found at least three of his managers in Toronto banking offices: R.C. Fitzgerald, teller at the City Bank, became manager at Brampton and later Kingston and Chatham; R.D. Freeman, teller at the Bank of Upper Canada, took charge of the Perth office; and J.D.M. Ridley, teller at the Bank of Montreal, was appointed in 1868 as manager at the Seaforth office. The Bank of Upper Canada teller at St. Catharines became the manager of the Royal Canadian Bank there, and the teller at the Bank of Montreal at Cobourg was appointed manager of the Whitby branch.[134] Woodside found some of his managers in the local communities; for example, John Beattie, an insurance and loan society agent, became the manager at Fergus;[135] and A.M. Ross, the treasurer of

Huron County, was appointed manager at Goderich. Both Beattie and Ross continued their other activities after assuming their duties as branch managers. Two points regarding Woodside's personnel policy deserve mention. Firstly, none of the recently unemployed managers and accountants from the Bank of Upper Canada found a position with the Royal Canadian Bank; and secondly, Woodside showed a preference, when recruiting men from other banks, for tellers. These men would have a strong background in security and branch routine, but little experience with the reporting and credit functions necessary to operate a branch system successfully.

From its beginning, the Bank of Montreal and the Bank of British North America regarded the Royal Canadian Bank as an impudent upstart, and for a time refused to honour its banknotes. The directors of the Royal Canadian made the most of this action, which actually enhanced its reputation in rural and small-town Ontario, where anti-Montreal sentiments ran strong.

The Royal Canadian Bank first ran into difficulty during its first year of operation with the collapse of its British agent, the Bank of London, rendering its customers unable to draw for exchange on London.[136] Adam Shortt suggests that the bank was weakened by a run following the collapse of the Commercial Bank in October 1867,[137] but a comparison of the 1867 and 1868 statements shows an increase in circulation of 19.4% and a growth in deposits of 40.5% during the year,[138] hardly indications of a loss of public confidence. The Royal Canadian's serious problems first surfaced in October 1868, with the revelation of irregularities at the Cobourg and Seaforth branches. The exposure began with a circular sent to the shareholders by one of the directors, Sen. Donald MacDonald, who had become chagrined when his application for a $100,000 loan had been refused by the other directors. At about the same time, the Seaforth manager absconded during a surprise visit by the president of the bank. Perhaps the most damaging irregularity, because it generated wide publicity, was a loan to W.R. Brown, a Toronto private banker and stock broker, who had speculated unsuccessfully in gold in New York with money borrowed from the Royal Canadian Bank and from his own depositors. Brown's Bank failed in March 1869.[139]

Alarmed by reports of the irregularities and rumoured losses at the branches, depositors began to withdraw their funds from the Royal Canadian Bank in February 1869. The bank had achieved an all-time high in deposits of $1,717,000 in January. At this point it ranked fifth among Canadian chartered banks in assets, and first in the amount of banknotes in circulation and tied the Bank of Montreal for first place in the number of offices operated in Ontario. By the end of May the deposit total had declined to $744,000.[140] Unable to secure aid from the other chartered banks, the Royal Canadian suspended payment on May 21 and closed its doors temporarily when the Bank of Montreal refused to accept its banknotes.[141]

The financial report submitted to the shareholders at the July 1869 annual meeting showed total losses for the bank at $301,000, confined largely to the offices at Cobourg, Seaforth, Kingston, and Toronto. A committee of shareholders, appointed to investigate the affairs of the bank, supported the statement, although they had examined only the books at the head office, where less than a quarter of the bank's business was transacted. The acrimonious annual meeting of 5 July 1869 ended at 5:30 am the following morning, with the election of a new board of directors, thus sustaining in the minds of the shareholders Senator McDonald's charges of mismanagement and irregularities at the branches. The new directors immediately decided to commission an independent audit. To undertake the examination they tapped George Yarker, who had recently been promoted from the manager's office of the Bank of Montreal's Toronto branch to the inspectorship of the Bank of Montreal.[142]

Although he did not examine the books at all the offices, confining his audit to

Figure 2.5

Royal Canadian Bank

Paid-up Stock, Total Loans, Accumulated Profits and Losses from time of commencement to 30 June 1869

(Thousands of dollars)

24 Offices

town	paid-up stock	%	total loans to date	%	accumulated net profits	%	accumulated losses	%
Bowmanville	$104	8.9	$2,299	5.5	$30	6.4	$30	.3
Brampton	46	3.9	1,340	3.2	16	3.4	2	.6
Chatham	7	.6	564	1.3	5	.7	2	.6
Clinton	39	3.3	1,501	3.6	16	3.4	1	.3
Cobourg	79	6.7	2,481	5.9	22	4.7	89	29.1
Fergus	-	-	409	1.0	4	.9	-	-
Galt	82	7.0	971	2.3	12	2.6	-	-
Goderich	17	1.5	783	1.9	7	1.5	2	.6
Hamilton	24	2.1	1,879	4.5	13	2.8	4	1.3
Kingston	43	3.7	2,073	4.9	18	3.9	32	10.6
Montreal	83	7.1	1,753	4.2	24	5.1	4	1.3
Newmarket	19	1.6	1,067	2.5	6	1.3	3	1.0
Ottawa	22	1.8	-	-	-	-	2	.6
Paris	44	3.8	974	2.3	12	2.6	14	4.7
Perth	16	1.4	1,136	2.7	17	3.6	2	.6
Peterborough	44	3.8	1,675	4.0	23	4.9	1	.3
Port Hope	43	3.7	1,133	2.7	11	2.4	-	-
Port Perry	37	3.2	1,067	2.5	13	2.8	-	-
Seaforth	11	.9	1,962	4.7	19	4.1	59	19.6
St. Catharines	32	2.7	774	1.9	7	1.5	-	-
Stratford	40	3.4	2,240	5.3	19	4.1	3	1.0
Toronto	230	19.7	9,489	22.6	129	27.6	70	23.3
Whitby	57	4.9	2,360	5.6	23	4.9	3	1.0
Woodstock	50	4.3	2,034	4.9	22	4.7	7	2.3
totals	$1,170	100.0	$41,961	100.0	$468	100.0	$301	100.0

[Sources: *Monetary Times*, 1868-1869; Adam Shortt, *Adam Shortt's History of Canadian Currency and Banking, 1600-1880.*]

"the Head Office, and some of the most important agencies,"[143] Yarker discovered an additional $159,000 of bad loans and overdrafts, along with a $10,000 discrepancy in the cash at the head office vault. He also pointed out some accounting irregularities,[144] noted that no sum had ever been written off for bad loans (thus inflating the reserves of the bank), and drew the directors' attention to a suspense account that had been debited with sums to purchase the bank's own stock to maintain its price. The latter action seems to have been taken to protect the bank's reputation in the hinterland by preserving the investments of its widely dispersed shareholders. The losses identified by Yarker, totalling about $460,000, represent a loss record of 1.07% on the total of the bank's loans up to that point, a reasonable figure considering both the aggressive way the bank had built up its business in its first four years, and the sloppy system of branch supervision and reporting practised by the Royal Canadian Bank.

Notwithstanding the irregularities he discovered, Yarker's conclusion that the Royal Canadian Bank was basically sound helped to restore confidence among both the shareholders and the general public. The bank reopened on 13 September 1869, about four months after it had suspended, under the direction of a new cashier, Thomas McCracken, formerly the manager of the Gore Bank. Due to the shortage of working capital, McCracken did not reopen 11 of the branches, and others were closed later.[145] By 1871 the branch network was reduced to a skeletal five offices: Chatham, Galt, Hamilton, Whitby and Woodstock.[146] The rationale for retaining the Galt, Whitby and Woodstock branches seems to have been the large amount of stock subscribed in those towns (see Figure 2.5). The reasons for keeping the Chatham and Hamilton offices are less clear. When McCracken decided to add to the branch network in 1872,[147] he opened several offices on the sub-branch system pioneered by the Bank of Commerce. For example, new offices at Ayr and Berlin were sub-branches to the supervising office at Galt, and the Norwich office reported to the

Woodstock branch.[148]

The branch system established and operated by the Royal Canadian Bank between 1865 and 1869 established the fact that banking offices could be operated profitably in hinterland communities. The demise of the system resulted from a drain in deposits and managerial difficulties at the head office, not from deficiencies in the quality and quantity of lending business at the branches. With the exception of the Cobourg, Kingston, Seaforth and Paris branches, all offices generated a net profit during their existence. The Royal Canadian Bank set up most of its branches with three employees.[149] While other banks operated some of their smaller offices with such a structure, none used it consistently in every office. The Royal Canadian Bank failed to set up a proper system of reporting and inspection at its commencement. The loss experience at Cobourg, Seaforth and Kingston can be traced to this deficiency. The bulk of these losses occurred before 1868, and at all three offices the managers were replaced by more competent men.[150] The policy of the bank to distribute its stockholders as widely as possible promoted a sense of loyalty and credibility in the hinterland, resulting in growth rates of the Royal Canadian's assets in excess of 40% per year.[151]

There is some evidence that the Royal Canadian Bank attempted to match the loan total at each branch to the proportion of the bank's stock subscribed in the community. Such a policy, in effect restricting the mobility of capital, may have affected the profitability of the bank, in that unsound business might be taken on at some offices to placate local shareholders, and good business turned away at offices where stock subscriptions were small. In any case, the Royal Canadian Bank found no difficulty in building a large lending business in the hinterland. Even with the rapid growth of the bank, the proportion of non-Toronto business increased over time. Of the total amount of advances in the first four years of the bank, 22.6% had been at the Toronto office. At the time of suspension in May 1869 the proportion was 16.3%. Unfortunately, it is not possible to compare the profitability of the various branches, or branch and head office profits. The annual statement of 30 June 1869 shows a net profit for Toronto of almost $43,000 after deducting operating expenses of $27,300. This seems a doubtful figure considering the volume of business done at Toronto. The same statement shows a net profit of $112,989 on branch operations. However, there is no indication of how expenses were allocated, and no breakdown of deposit totals for the each of the branches.

Whether by circumstance or design, the Royal Canadian Bank did not recruit experienced bank managers to set up its branches. Only a minority seem to have had chartered bank experience of any kind, most in the position of teller. Following the bank's difficulties in 1869, the managerial personnel remained stable. Further, the managers at Clinton, Newmarket, Seaforth and St. Catharines returned to their old posts when those branches reopened after 1871. With the exception of two who joined other chartered banks,[152] the balance of the managers at offices closed in 1869 appear to have left the banking for other vocations. This does not necessarily mean that these managers were perceived by other chartered banks as inferior managers. There were relatively few openings of new branch banks after 1870, and most banks by this time relied on policies of internal training and promotion, rather than outside recruitment. Only two, John Beattie of Fergus and M.P. Hayes of Seaforth, became private bankers; Beattie when the Fergus branch closed in 1869, and Hayes much later, in 1880.[153] Although there was a demonstrated desire for banking facilities in the hinterland, and there were experienced men to run them, most former Royal Canadian Bank managers lacked the capital to begin a private bank. As well, the full-service small-town private bank was a very new concept in 1869 and 1870.

It is tempting, because of its innovative nature, to view the branch system of the Royal Canadian Bank as a model for other chartered banks. Though the Royal Canadian did show that a bank could be operated largely upon hinterland business, rival institutions showed no interest in emulating its example, apparently in the belief that the potential risks, administrative problems, and costs of extensive branch systems outweighed the profits. The events leading up to the temporary suspension of the Royal Canadian Bank, when $1,154,000 of its banknotes were redeemed in specie and $1,064,000 of deposits withdrawn, indicated to bankers that rural people were unsophisticated, and prone to nervous overreaction that could potentially wreck a bank. There seems to have been a general impression in financial circles that the Royal Canadian's policies were basically unsound: Joseph Schull argues that the Dominion Bank was promoted specifically to fill the place partially vacated by the Royal Canadian, but on a sounder basis.[154] Despite the numerous and persistent calls for new bank branches, the *Monetary Times,* for one, believed the country was oversupplied with hinterland offices, and cautioned the Dominion Bank at its commencement with an obvious reference to the Royal Canadian Bank:

> We hope the Dominion Bank will avoid the baited snare in which too many banks have been caught—that is, numerous unwieldy agencies, established without due regard to the amount and quality of business they can furnish. We have too high an opinion of the management to suppose it possible that they will fall into this trap.[155]

The Canadian Bank of Commerce undertook a more cautious branch policy than the Royal Canadian Bank, or even the Ontario Bank, following its commencement in 1867. Three offices, at St. Catharines, London and Barrie, opened almost immediately, followed in 1868 by offices at Guelph, Hamilton and Strathroy. The latter office, the only one in a town that did not already possess a bank, was constituted as a sub-agency to London. The sub-agency was a refinement of the older agency system, with administrative responsibility resting with the supervising branch. In some cases the sub-agency was staffed by members of the supervising branch, particularly in cases where it was open only two or three days per week. This innovation was first employed by the Bank of Commerce, and quickly copied by the other banks. The sub-agency became an integral part of the chartered bank branch system.

With the decline of the Gore Bank, the Bank of Commerce assumed its offices at Woodstock and Simcoe in 1869, and ultimately the Bank of Commerce took over what was left of the head office business in Hamilton in October, 1869, when it merged with the Gore Bank.[156] In merging with the Gore Bank, the directors turned down a more generous offer from the Bank of Montreal, fearing that the Gore Bank's remaining customers would be subject to the erratic credit policy of the Montreal institution, which periodically withdrew funds from its Ontario operations. The *Monetary Times* summed up reasons for the merger with the Bank of Commerce:

> It will be the sole business of the Bank of Commerce to serve the trade of the west; while the Bank of Montreal might extend equal, perhaps greater facilities, and it might not. It might not always be convenient to lend the Hamilton merchants all the money they ought to have, and at the same time meet the demands of the Government, and perhaps take a hand in Wall Street when there was something to be made. The history of the Montreal Bank's connections with the West is not such as to impress western business men with a high opinion as to the value of these connections.[157]

Following the merger with the Gore Bank, the Bank of Commerce added six branches to its network in 1870: Galt, Goderich, Peterborough, Orangeville, Montreal and Sarnia. At Goderich and Peterborough it was heir to the business of closed Royal Canadian branches. For the rest of the decade, the Bank of Commerce followed a cautious but consistent branch policy, averaging only two new offices per year.[158] The prudent branch policy, combined with an aggressive expansion of business, gave the Bank of Commerce a branch network by 1875 equal in numbers to that of the Royal Canadian Bank at its peak. Peppered with numerous requests for new branches in the first two years of its existence, the directors of the Bank of Commerce had announced their branch policy at the first annual meeting on July 6, 1868:

> Your directors have from the commencement acted upon the principle of establishing only a limited number of branches, and of confining the operations of the institution to a strictly legitimate banking business; and they cannot too strongly urge upon their successors a rigid adherence to this policy, as being not only in the interest of the shareholders, but ultimately most conductive to that of the country.[159]

Succeeding directors did remain faithful to this policy. The Bank of Commerce did not begin a rapid branch expansion program until 1898.

The Merchants Bank, chartered in 1862 with a head office in Montreal, does not appear to have done a large business in Ontario in its first years, opening no branches in the province. When it took over the remnants of the Kingston-based Commercial Bank in 1867, the Merchants Bank inherited a substantial Ontario branch system, consisting of six full branches, at Toronto, Kingston, Belleville, Hamilton, London and Chatham, and 11 agencies, at Windsor, Ingersoll, St. Thomas, Stratford, Berlin, Galt, Owen Sound, Southampton, Prescott, Perth and Napanee.

The directors of the Merchants Bank were soon deluged with requests for additional banking offices. Although the bank had no experience with business conditions in Ontario, these requests were entertained seriously. Interestingly, a number of the requests were for branches at points already possessing other banks, for example, Brockville and Brantford.[160] The directors responded cautiously but often favourably to the requests, apparently believing that a great potential existed for new banking offices in the Ontario hinterland. The first of the new offices to be opened was at Walkerton. During 1869 additional offices were established at Elora, Brampton, Kincardine, Almonte, Picton and Pembroke.[161] With these openings to the end of 1869, the Merchants Bank operated the largest branch system in the province, and ranked as the second largest bank in Canada in terms of assets, though it lagged far behind the Bank of Montreal. This large Ontario network permitted the Merchants

Figure 2.6

Banking Offices in Ontario – 1869

48 Towns

town	B. of Upper Can.	B. of Mont.	Commer-cial Bank	Gore Bank	B. of BNA	Ontario Bank	B. of Tor.	B. of Com.	Royal Cdn. B.	Merch. Bank	other	total
Alexandria						()						
Barrie	()						b	**a**				2
Belleville	()	b	()							**b**		2
Berlin			()							**a**		1
Bowmanville						h			**a**			2
Brampton									**a**			1
Brantford		b			b							2
Brockville	()	b	()									1
Chatham			()						**a**	**b**		2
Clinton			()						**a**			1
Cobourg		b					a		**a**			3
Cornwall	()	a										1
Dundas					()	()						
Elora		a										1
Fergus		a							**a**			2
Galt			()	a					**a**	**b**		3
Goderich	()	()							**a**			1
Guelph		b		()		b		**b**				3
Hamilton	()	b	()	h	b	b		**b**	**a**	**b**		7
Ingersoll			()							**a**	a	2
Kingston	()	b	()		b				**b**	**b**		4
Lindsay	()	a				**b**						2
London	()	b	()	()	b			**b**		**b**		4
Mount Forest		()										
Napanee										**a**		1
Newmarket									**a**			1
Oshawa						b						1
Ottawa	()	b			a	**b**			a		a	5
Owen Sound			()			()				**a**		1
Paris				()					**a**			1
Pembroke											**a**	1

Figure 2.6

Banking Offices in Upper Canada – 1869 (Cont.)

town	B. of Upper Can.	B. of Mont.	Commer-cial Bank	Gore Bank	B. of BNA	Ontario Bank	B. of Tor.	B. of Com.	Royal Cdn. B.	Merch. Bank	other	total
Perth		a	()						**a**	**a**		3
Peterboro		b	()			**b**	a		**a**			4
Picton		a										1
Port Hope	()	**a**	()			**b**	**a**		**a**			4
Port Perry									**a**			1
Prescott			()			()				**a**		1
Sarnia	()	**b**										1
Seaforth									**a**			1
Simcoe		a		a								2
Southampton			()									
St. Catharines	()	**a**						**b**	**a**		**ah**	5
St. Marys		a										1
St. Thomas										**a**		1
Stratford		a	()						**a**	**a**		3
Strathroy								**a**				1
Toronto	()	b	()		b	b	h	**h**	**h**	**b**	bb	9
Walkerton										**b**		1
Waterloo		()				**b**						1
Whitby		()				**b**			**a**			2
Windsor	()		()							**a**		1
Woodstock				a					**a**			2
totals	-	23	-	4	6	11	5	7	23	17	7	103
totals 1864	15	24	19	7	7	9	4	-	-	-	5	84

Towns losing banking service since 1864 listed in italics.
Towns gaining banking service since 1864 listed in bold.

() = office closed
a = agency
b = branch
h = head office

[Source: *Ontario Directory, 1869.*]

Bank to increase the circulation of its banknotes, thus facilitating its rapid expansion. At the end of 1869, the Merchants Bank's circulation represented 34.4% of its liabilities, less than the Bank of Commerce, at 37.8%.[162] By this measure, the latter bank was making better use of its branch system to increase circulation than its Montreal-based rival, notwithstanding its protestations of caution and conservatism relating to its branch policy.

The volatile nature of the branch bank system in Ontario in the late 1860s eroded public confidence in the ability of chartered banks to provide dependable service in the hinterland. In short order there had been the failures of the Bank of Upper Canada, the Gore Bank and the Commercial Bank. Concurrently, improper branch supervision had helped cause the demise of much of the branch system of the Royal Canadian Bank. As well, the Bank of Montreal had partially retreated from Ontario to employ its assets in the lucrative New York money market. Many of its smaller agencies were closed, and credit was restricted at the remaining offices. The inability of the chartered banks to serve fully the financial demands of the hinterland economy opened opportunities that were exploited by the first generation of small-town private bankers in the 1870s. The conditions also made hinterland businessmen receptive to the new approaches to banking that these private bankers represented.

REFERENCES FOR CHAPTER II

[1]S.G. Checkland, *Scottish Banking,* pp. 196-7. Checkland compares the system of agents to the putting-out system of the textile industry, though bank agents, of course, were as much as possible men of considerable local standing and high moral fibre.

[2]R.M. Breckenridge, *The Canadian Banking System, 1817-1890,* p. 82.

[3]Joseph Schull and J.Douglas Gibson, *The Scotiabank Story* (Toronto, 1982), p. 79.

[4]Victor Ross, *The History of the Canadian Bank of Commerce,* I (Toronto, 1920), p. 210.

[5]*59 Geo. III c. xxiv, article xxi.*

[6]Peter Baskerville, "The Entrepreneur and the Metropolitan Impulse: James Grey Bethune and Cobourg, 1825-1836," *Victorian Cobourg,* ed. J. Petryshyn (Belleville, 1976).

[7]Bray Hammond, *Banks and Politics in America* (Princeton, 1957), pp. 661-2.

[8]*59 Geo. III c. xv.*

[9]*1 Geo. IV c. xxv.*

[10]Merrill Denison, *Canada's First Bank,* I (Toronto, 1966), pp. 122-3.

[11]*Kingston Chronicle,* 1824, quoted by Merrill Denison, *Canada's First Bank,* I, p. 258.

[12] Merrill Denison, *Canada's First Bank,* I, pp. 132-3.

[13]J.B. Robinson to John Macaulay, 15 Nov. 1824, John Macaulay Papers, Archives of Ontario.

[14]*Journals of the Legislative Assembly of Upper Canada,* 19 Jan. 1824.

[15]Merrill Denison, *Canada's First Bank,* I, p. 158.

[16]Merrill Denison, *Canada's First Bank,* I, p. 301.

[17]Peter Baskerville, *The Bank of Upper Canada* (Ottawa, 1986), p. 1.

[18]Upper Canada, *Unrevised Statutes,* c. 13, 19 Jan. 1824. The Legislative Council had amended the bill so that the monopoly provision would lapse three years after the then-current session.

[19] Merrill Denison, *Canada's First Bank,* I, p. 301-2.

[20]John Macaulay to William Allan, 8 Oct. 1832, Macaulay Papers.

[21]Merrill Denison, *Canada's First Bank,* I, pp. 128; 247-8; 251.

[22]Victor Ross, *The History of the Canadian Bank of Commerce,* I, pp. 189-92; Peter Baskerville, *The Bank of Upper Canada,* p. lv-lvi.

[23]William Allan to John Macaulay, 19 June 1830, Macaulay Papers.

[24]William Allan to John Macaulay, 24 June 1830, Macaulay Papers.

[25]See, for example, William Allan to John Macaulay, 24 June 1830; 31 Aug. 1833, Macaulay Papers.

[26]William Smith, *History of the Post Office in British North America* (Cambridge, 1920), p. 132.

[27]*Kingston Chronicle,* 6 Feb. 1830.

[28]John Strachan to John Macaulay, 26 Feb. 1830, Macaulay Papers.

[29]Peter Baskerville, "The Entrepreneur and the Metropolitan Impulse James Grey Bethune and Cobourg, 1825-1836," in J. Petryshyn, ed., *Victorian Cobourg* (Belleville, 1976).

[30]William Allan to John Macaulay, 16 Dec. 1830, Macaulay Papers.

[31]Craig McIvor, *Canadian Monetary, Banking and Fiscal Development* (Toronto, 1958), p. 37.

[32]Peter Baskerville, *Bank of Upper Canada,* p. lvi.

[33]Adam Shortt, *Adam Shortt's History of Canadian Banking and Currency, 1600-1880* 1600-1880 (Toronto, 1986), p. 304.

[34]Merrill Denison, *Canada's First Bank,* I, p. 302.

[35]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 306.

[36]Merrill Denison, *Canada's First Bank,* I, p. 324.

[37]"Report of the President of the Bank of Upper Canada on the Treasury Deposits, Submitted to Lt. Gov.Colborne," in Peter Baskerville, *The Bank of Upper Canada* p. 56.

[38]William Allan to Edward Ellice, 27 Oct. 1832, Ellice Papers, Vol. 7, Public Archives of Canada.

[39]Thomas McCormick to Samuel Jarvis, 16 July 1825, Jarvis Papers, Baldwin Room, Metropolitan Toronto Reference Library.

[40]John Macaulay to William Allan, 20 July 1832, quoted by Peter Baskerville, *The Bank of Upper Canada,* p. 68.

[41]Victor Ross, *History of the Canadian Bank of Commerce,* II (Toronto, 1922), p. 397.

[42]"Petition of the Bank of Upper Canada, 6 Dec. 1833," in Peter Baskerville, *Bank of Upper Canada,* p. 84.

[43]In 1844 Thomas Ridout reluctantly agreed to allow 3½% on the government account, which up to this time had drawn no interest. Even at this late date, the bank remained opposed in principle to paying interest on any deposit. Peter Baskerville, *The Bank of Upper Canada,* p. xciii.

[44]Peter Baskerville, *The Bank of Upper Canada,* p. lxv.

[45]Peter Baskerville, *The Bank of Upper Canada,* pp. lvii-lix. Under competitive pressure from the Commercial Bank, this policy was altered to one of shorter credits in 1833.

[46]Thomas G. Ridout to James Hamilton, 6 June 1832, Warren and Hamilton Papers, Lawson Library, University of Western Ontario .

[47]Merrill Denison, *Canada's First Bank,* I, pp. 303-4.

[48]Craig McIvor, *Canadian Monetary, Banking and Fiscal Development,* p. 37. McIvor does not reveal his source; he may have referred to a list of towns where stock subscriptions were taken. The directors had intentions to open in towns where they had considerable support. Victor Ross, *History of the Canadian Bank of Commerce,* I, p. 189, reported that the Gore operated no offices outside Hamilton in 1837. This statement may also be misleading. The Gore, being established in 1836, may not have opened branches until late in 1837. Ross's figures are supported by R.M. Breckenridge, *The Canadian Banking System, 1817-1890,* p. 82. His source appears to

be the banking returns in the appendices to the *Journals of the Legislative Assembly of Upper Canada.*

[49]Victor Ross, *History of the Canadian Bank of Commerce,* I, p. 209-10.

[50]Victor Ross, *History of the Canadian Bank of Commerce,* I, p. 189.

[51]Victor Ross, *History of the Canadian Bank of Commerce,* I, pp. 182-3.

[52]In 1833 the Bank of Upper Canada began demanding a one-third reduction at each renewal. Testimony of Thomas G. Ridout, "Select Committee on the Subject of Banking and Finance," *Journals of the Legislative Assembly,* 1833-4, Appendix, p. 170.

[53]Victor Ross, *History of the Canadian Bank of Commerce,* I, p. 192.

[54]Isaac Buchanan to Andrew Steven, 28 Oct. 1837, quoted by Victor Ross, *History of the Canadian Bank of Commerce,* I, p. 195.

[55]Victor Ross, *History of the Canadian Bank of Commerce,* I, pp. 182-3.

[56]Donald G. Paterson and Ronald A. Shearer, "How Did the Industrious Classes of Her Majesty's Subjects Learn to Save? First Generation Savings Banks in Lower Canada," Unpublished Paper delivered at 17th Conference on Quantitative Methods in Canadian Economic History, Kingston, 9-10 Nov. 1990.

[57]Peter Baskerville, *The Bank of Upper Canada,* p. lxvi.

[58] Richard Sylla, "American Banking and Growth in the Nineteenth Century: A Partial Review of the Terrain," *Explorations in Economic History* IX (1971-2), pp. 197-227.

[59] Benjamin Holmes to Andrew Steven, 5 Feb. 1837, quoted by Victor Ross, *History of the Canadian Bank of Commerce,* I, p. 189.

[60]Merrill Denison, *Canada's First Bank,* I, p. 302.

[61]*4 Geo. IV c. xiii.*

[62]John Macaulay to his mother, 2 Feb. 1837, Macaulay Papers.

[63] C.H. Castle to Bernard Turquand, 19 Aug. 1835, quoted by Peter Baskerville, *The Bank of Upper Canada,* p. 105.

[64]Victor Ross, *History of the Canadian Bank of Commerce,* I, p. 193.

[65]Victor Ross, *History of the Canadian Bank of Commerce,* I, p.189.

[66]Peter Baskerville, *The Bank of Upper Canada,* pp. lxxiv-v.

[67]Adam Shortt, *Adam Shortt's History of Canadian Banking and Currency, 1600-1880,* pp. 347-48; 355.

[68]Victor Ross, *History of the Canadian Bank of Commerce,* I, p.189.

[69]Merrill Denison, *Canada's First Bank,* I, p. 360.

[70]Peter Baskerville, *The Bank of Upper Canada,* p. 66.

[71]Merrill Denison, *Canada's First Bank,* I, p. 363.

[72]Monthly bank reports were required monthly under banking charters and the various general banking statutes. As a rule these were published in the appendices to the *Journals of the Legislative Assembly.* These records are not complete; some banks, and particularly the joint-stock banks, reported late or not at all.

[73]From figures quoted in Ross, *History of the Canadian Bank of Commerce,* I, pp. 201; 496.

[74]Adam Shortt, "Founders of Canadian Banking: Captain George Truscott, R.N.," *Adam Shortt's History of Canadian Banking,* p. 838.

[75]Victor Ross, *History of the Canadian Bank of Commerce,* I, p. 21.

[76]Victor Ross, *History of the Canadian Bank of Commerce,* I, p. 312.

[77]The English private banks generally held small reserves of specie, and when specie was required, they secured it by redeeming Bank of England notes. The bank of England made no profit from these transactions, but it did use the private banks to extend the circulation of its own notes.

[78]Adam Shortt, "Founders of Canadian Banking: Captain George Truscott, R.N.," *Adam Shortt's History of Canadian Banking,* p. 835.

[79]Edward Ermatinger, *Life of Colonel Talbot, and the Talbot Settlement* [1859], (Belleville, 1972). Ermatinger recorded that the Agricultural Bank constructed a frame building in St. Thomas, which, at the time of writing (1859), was still standing, though derelict.

[80]Adam Shortt. *Adam Shortt's History of Canadian Banking and Currency, 1600-1880,* p. 312.

[81]Edward Ermatinger, *Life of Colonel Talbot,* p.

[82]Adam Shortt, "Founders of Canadian Banking: Captain George Truscott, R.N.," *Adam Shortt's History of Canadian Banking,* p. 840. Mackenzie's role in starting and sustaining this run was confirmed and denounced by Francis Hincks, *Reminiscences of His Public Life* (Montreal, 1884).

[83]Merrill Denison, *Canada's First Bank,* I, pp. 310; 321; Adam Shortt, "Capt. George Truscott," *Adam Shortt's History of Canadian Banking,* pp. 840-1.

[84]Merrill Denison, *Canada's First Bank,* I, p. 301.

[85]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 315.

[86]Victor Ross, *History of the Canadian Bank of Commerce,* I, p. 211.

[87]*British Colonist,* June 1840.

[88]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 367.

[89]Merrill Denison, *Canada's First Bank,* I, p. 364.

[90]*Toronto Examiner,* 24 June 1840.

[91]Peter Baskerville, *The Bank of Upper Canada,* p. ciii.

[92]Victor Ross, *History of the Canadian Bank of Commerce,* I, pp. 21; 211.

[93]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 321.

[94]E.P. Neufeld, *The Financial System of Canada,* pp. 176-84; Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 420.

[95]Walter S. Herrington, *History of the County of Lennox and Addington* (Toronto, 1913). Herrington gives the denominations of these notes as 5 and 25 shillings. Victor Ross reported that the Canadian Bank of Commerce had in its possession a $1 note of this bank: *History of the Canadian Bank of Commerce,* I, p.187.

[96] *An Act to Incorporate the Freeholders' Bank of Upper Canada,* (Toronto: Patriot Office, 23 Feb. 1837.)

[97]*7 Wm. IV c. xiii.*

[98]These spurious banks are discussed in some detail in Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 368-73.

[99]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 368.

[100]R.M. Breckenridge, *The Canadian Banking System, 1817-1890,* p. 84.

[101]Isaac Buchanan, *The Real State of Things in Canada* (Toronto, 1837). This pamphlet contained Buchanan's testimony to the Legislative Assembly's Committee on the Monetary System. Whereas most of Upper Canada's monetary theorists advocated expansion of the banking system in the direction of free banks, joint-stock banks or more chartered banks as the solution to the monetary problems, Buchanan advocated a government-backed legal tender banknote issue. He was therefore untroubled by the suspension of Canadian banks.

[102]Merrill Denison, *Canada's First Bank,* I, p. 358.

[103]The principle sources for the data in this section are the directory listings of banks and bank personnel; these are *Smith's Canadian Gazetteer, 1846* (Reprint ed., Toronto, 1970); Lovell's *Canada Directory, 1851* (Montreal, 1851); *Supplement to the Canada Directory* (Montreal, 1853); Lovell's *Canada Directory for 1857-58* (Montreal, 1857).

[104]Bank of Montreal Resolve Book, No. 4, 26 Jan. 1844, pp. 95; 450-51, Public Archives of Canada.

[105]Recollections of Campbell Sweeney, retired banker, *Monetary Times,* 7 Jan. 1927.

[106]Victor Ross, *History of the Canadian Bank of Commerce,* II, pp. 400-1.

[107]William Smith, *The History of the Post Office in British North America, 1639-1870* (New York, 1973), p. 124 *et passim.*

[108]I am indebted for this notion to John R. Stilgoe, *Metropolitan Corridor* (New Haven, 1983). Stilgoe defines the metropolitan corridor as the immediate physical locale adjoining a railway line, and shows that such corridors imposed a metropolitan influence on both the built environment and the popular imagination. My contention here is that such transportation and communications corridors preceded the railways, and that they initially exerted metropolitan influences, expressed through commercial and banking connections, from the nodes along their lengths as much as from the metropoles at their ends.

[109]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 507-8.

[110]Joseph Schull, *100 Years of Banking in Canada* (Toronto, 1958), pp. 3-5.

[111]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 529.

[112]*Canada Directory for 1857-58* (Montreal, 1857); Peter Baskerville, *Bank of Upper Canada,* p. 350.

[113]Peter Baskerville, *The Bank of Upper Canada,* pp. cxxviii-cxxxi.

[114]Victor Ross, *History of the Canadian Bank of Commerce,* I, p. 228.

[115]Victor Ross, *History of the Canadian Bank of Commerce,* I, p. 229.

[116]Bray Hammond, *Banks and Politics in America*, pp. 669-70.

[117]Merrill Denison, *Canada's First Bank,* II, pp. 83-4.

[118]Merrill Denison, *Canada's First Bank,* II, p. 86.

[119]*Canada Directory for 1857-58; Mitchell's Canada Gazetteer and Business Directory for 1864-65* (Toronto, 1864).

[120]*Elora Observer,* 29 Oct. 1869.

[121]Merrill Denison, *Canada's First Bank,* II, p. 82.

[122]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 529.

[123]For a discussion of the conservatism of the Bank of Toronto, see Joseph Schull, *100 Years of Banking in Canada*, pp. 21-24.

[124]*Monetary Times,* 24 June 1870.

[125]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 692.

[126]*Ontario Directory, 1869.*

[127]*Ontario Directory, 1869; Monetary Times,* 8 July 1869; Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 672. Shortt's analysis of the Royal Canadian Bank appears to be based on editorial material in the Toronto *Globe* and the *Monetary Times.* No primary sources relating to this bank seem to have survived.

[128]See, for example, St. Catharines *Constitutional,* 20 Dec. 1866.

[129]Testimony of Thomas Woodside before the House of Commons Committee on Banking and Currency, quoted in *Monetary Times,* 24 June 1869.

[130]*Monetary Times,* 8 July 1869.

[131]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 671.

[132]Report of George Yarker on the Royal Canadian Bank, quoted in *Monetary Times,* 19 Aug. 1869.

[133]Fourth Annual Report, Royal Canadian Bank, abstracted in *Monetary Times,* 8 July 1869.

[134]*Canada Directory for 1857-58; Mitchell's Canada Gazetteer and Business Directory for 1864-65* (Toronto, 1864).

[135]David M. Beattie, *Pillars and Patches Along the Pathway* (Grand Valley, [1984]), p. 36.

[136]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 672. There was no connection between the Bank of London in London, England, and the Ontario-based Bank of London, which operated in the 1880s.

[137]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 675.

[138]Annual Statements as at June 30, *Monetary Times,* 11 July 1867; 9 July 1868. The monthly statutory bank statements, published in the same journal, show a decrease in the Royal Canadian's liabilities in November 1868, which was more than recovered the next month.

[139]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 675; *Monetary Times,* 11 Mar. 1869.

[140]Returns to the Auditor of Public Accounts, Months Ending 31 January 1869; 31 May 1869, *Monetary Times,* 18 Feb. 1969; 20 May 1869.

[141]*Monetary Times,* 25 May 1869.

[142]*Monetary Times,* 28 Nov. 1868. Yarker received $650 for his audit, a not insignificant sum for a few week's work. *Monetary Times,* 27 Aug. 1869.

[143]Report of George Yarker to the directors of the Royal Canadian Bank, dated 17 Aug. 1869, in *Monetary Times,* 20 Aug. 1869.

[144]Current account overdrafts were included in the deposit totals, thus understating both the assets and the liabilities to the public; and more than $17,000 of start up costs were being carried as debts due to the bank.

[145]*Monetary Times,* 10 Sept. 1869.

[146]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 679; *Ontario Directory, 1871.*

[147]Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 680.

[148]*Monetary Times,* 21 July 1876.

[149]For example, the Seaforth office consisted of a manager, accountant and teller; at the Stratford office the positions were identified as manager, teller and clerk. *Huron County Directory, 1869; perth and Waterloo Directory, 1870.*

[150]At Cobourg the first manager, J.S. Wallace, was replaced with A. Storr. Wallace had previously been manager of the Bank of Toronto at Cobourg, and was fired by cashier George Hague for mismanagement. He was hired by the Royal Canadian Bank on the representations of local shareholders. Cashier Thomas Woodside transferred R.C. Fitzgerald from Brampton to Kingston to put the affairs of that office in order. Fitzgerald had previously worked for Woodside as teller at the City Bank in Toronto, when Woodside had been manager. At Seaforth, M.P. Hayes, a popular local man, was made the manager in place of his absconding predecessor.

[151]For example, in the year ending 30 June 1868 banknote circulation expanded by 19.5%, deposits by 40.5%, and discounts by 43.3%. Adam Shortt, *Adam Shortt's History of Canadian Banking,* p. 672.

[152]G.H. Patterson, manager of the Galt office, became manager of the Bank of Commerce in Galt in 1870; he was succeeded by John Cavers, the teller at the Bank of Commerce. R.D. Freeman, Royal Canadian manager at Perth, became manager of the Merchants Bank in Mitchell in 1871. *Monetary Times,* 2 Sept. 1870.

[153]*Fergus News Record,* 4 Feb. 1870; Seaforth *Huron Expositor,* 19 Mar. 1880.

[154]Joseph Schull, *100 Years of Banking in Canada*, pp. 47-48.

[155]*Monetary Times,* 3 Sept. 1869.

[156]Victor Ross, *History of the Canadian Bank of Commerce,* II, p. 556; I, p. 247.

[157]*Monetary Times,* 10 Sept. 1869.

[158]Victor Ross, *History of the Canadian Bank of Commerce,* II, p. 556-57.

[159]Quoted by Victor Ross, *History of the Canadian Bank of Commerce,* II, p. 54.

[160]Merchants Bank, Directors Minutes, 14 Mar. 1868.

[161]Merchants Bank, Directors Minutes,30 July 1869.

[162]Statement of Banks, 30 Dec. 1869, *Monetary Times,* 28 Jan. 1870.

III. PRIVATE BANKING IN THE CITIES

The term `private bank' was first applied to a group of businessmen providing financial services in the larger centres of Upper Canada as early as 1845. Contemporary directories and gazetteers, as well as students of Ontario business history, lumped them together with the small-town full-service private banks that appeared after 1868. In fact, the two form quite distinct streams. As well, private banking in each of the major centres acquired unique characteristics, reflecting the geographically varied nature of the economy and the dominant entrepreneurial style within each of the cities. London's banking sector, for example, was an integral part of the ambitious, free-wheeling entrepreneurial class in that city, influenced by the oil industry and American business attitudes. Toronto's private bankers at an early date oriented their business toward stock, bond and debenture trading, exploiting a niche in the city's financial sector. By 1860 Toronto was amply served by chartered bank offices, leaving few opportunities for regular banking business for private banks and their relatively small capital base. Most of the Montreal-based banks opened a branch in Toronto, and newly chartered banks, such as the Bank of Toronto and the Royal Canadian Bank, tended to locate their head offices there. The opening of the Toronto Stock Exchange in 1852 assured the city of the dominant place in the province's financial hierarchy, and helped to provide opportunities for its private bankers. Hamilton, which long aspired to be a financial centre in its own right, possessed the most interesting private banking centre. Two relatively long-lived banks, the Gore Bank and the Bank of Hamilton, had their head offices in the city, and there was an effort to promote a third, the Union Bank of Canada, in the 1850s. The province's largest private savings bank was located in Hamilton. In general, the private banking community of Hamilton formed a closely-knit group, united by ties of marriage, but with few connections to the wealthier capitalists of the city who promoted its chartered banks and sat on their boards of directors. One of the few characteristics shared by all the urban centres is that their private banking sectors thrived during the 1860s, when exchange and money brokers capitalized on conditions in the United States during and after the Civil War.

Because of the relatively small number of urban private bankers, the unique characteristics of each city's business ethos, and the difficulty of defining which business can be properly classified as urban private banks, it is dangerous to attempt too many generalizations. Nevertheless, two points regarding them are clear: the urban private banks were specialized institutions, rather than full-service banks; and they tended to have larger initial capital bases, but far slower rates of capital accumulation than the small-town private banks (see Figures 3.4 and 4.5), indicating a reliance on fees and commissions, rather than lending, for their income.

a. The Character of Urban Private Banking

Banking offices under proprietary ownership first appeared in Upper Canada in the late 1840s, or over 20 years after the chartered banks opened their first offices, and two decades before the appearance of the small-town private banks. Exclusively an urban phenomenon, the establishment of these early offices, independent of one another, in Toronto, Kingston, Hamilton, St. Catharines and London between 1845 and 1850, suggests that they filled a vacuum in the overall financial system. Unlike the joint-stock private banks of the 1830s, few of the urban private banks offered a full range of banking services, and none did so for any length of time. Instead, these private banks operated in niches left open by the chartered banks, through their disinclination to develop certain lines of business and their inability to offer particular services competitively. Most of the urban private banks had an orientation in one of five directions: insurance, railway and steamship tickets, stock brokerage, real estate, and savings. Over time, these services and other ancillary lines of business eclipsed the banking functions, which ultimately were discontinued by these firms.

By 1851 private banking had appeared in Toronto, Kingston, London, Hamilton and St. Catharines, though none of the firms yet called themselves banks. Directories list them as agents and brokers, often using `exchange' as a qualifier. Surviving advertisements show that most engaged in a wide range of financial activities, in addition to banking. Offices which performed banking functions are not easily isolated from the much wider population of insurance agents, real estate conveyancers, and building society representatives. The term `broker' can be particularly troublesome; in the mid-nineteenth century it loosely and indiscriminately described stock brokers, foreign exchange dealers, produce and commodity merchants, and general financial agents. Lovell's *Canada Directory* of 1851 provides the earliest listing of the urban private bankers. This volume lists the banking offices of Curtiss Haynes in St. Catharines, F.B. Beddome in London, and Josias Bray, W.R. Macdonald and Thomas Stinson in Hamilton. Bray eventually became a ticket and travel agent, Macdonald a representative for overseas investors, and Stinson later concentrated on the savings business. Haynes and Beddome, residing in smaller centres, offered a wider range of services, building their banking business on their activity as insurance, loan, and building society agents.[1]

The history of private banking in each major centre has unique characteristics, reflecting the fact that Ontario in the mid-nineteenth century had not yet developed an integrated economy, and that the financial system was more advanced in some localities than in others. The levelling effects of industrial expansion, cheap transportation, and efficient financial systems were not felt fully until late in the century. The chartered banking system, based on a centrally-controlled branch network, proved incapable of serving all sectors of the provincial economy until after 1900, when regional economic differences diminished, and when the chartered banks perfected their branch management systems.

b. Private Banking in Four Cities

i. London

The chartered banks built a strong presence in London at an early date; consequently, private bankers encountered difficulties in establishing themselves. In 1857 the Bank of British North America employed a staff of eight in what was, at the time, the largest banking office in the city. Four other banks, the Gore, Montreal, Commercial and Upper Canada, retained a total of 17 men. A savings bank operated under the management of the Gore Bank, similar to the one operated by this bank in Hamilton. It was under the management of W.W. Street, the London Gore Bank agent.[2]

Notwithstanding the abundance of branches of chartered banks, several private bankers found niches in the pre-Confederation period. Thomas Haskett conducted a private money-lending business in London that was extensive enough by 1864 to merit a rating by the Dun agency, but the title of first private banker in London rightfully belongs to F.B. Beddome. Beddome had opened his office by 1851, and it would remain open into the twentieth century. Beginning as an insurance agent, Beddome by 1857 had become a self-styled broker and banker. He is listed in the 1864 *Canadian Directory* as a private banker; this seems to be the first use of this term in Ontario.

Beddome supplemented his bank with other activities: he continued to sell insurance and real estate, and participated in the firm of Beddome and Rowland as an auction and commission merchant. Prominent in London as wholesale merchants, the Rowland family maintained large interests in lumbering and grain.[3] F.B. Beddome retreated back to the insurance business in the 1870s. His firm continued into the twentieth century as the Beddome and Brown insurance agency.[4]

Henry Taylor carved a more notorious career, though true infamy did not come until the 1880s and his involvement with the dubious Bank of London. In the 1860s Taylor's Bank functioned as London's most important private banking operation, with strong ties to the fledgling petroleum industry. Born in London, England, in 1841, Henry Taylor came to Canada with the commissary department of the British army in 1862.[5] Restlessly ambitious, he resigned the following year and established his private banking business in partnership with John W. Sifton. They engaged Robert Kidder, a London broker, as their accountant. The bank also functioned as a ticket office, and as the London agencies of Molson's Bank and the Merchants Bank. At about the same time, Taylor joined the firm of McFie, Taylor and Sifton in the oil refining and distribution business.[6]

Henry Taylor helped organize the Ontario Savings and Investment Society in 1870, of which he was president. Taylor's Bank maintained its strong ties to the petroleum industry, acting as a broker for oil and refined products.[7] It also engaged in foreign exchange as a correspondent of Jay Cooke and Co. of New York.[8] Henry Taylor perpetually stretched his credit to its limits. He is reported in Dun's *Mercantile Reference Book* of 1869 at the second lowest credit rating, with a net worth of under $5,000 despite his many business ventures. In the 1880s Taylor became involved in several additional businesses: the Dominion Loan and Investment Association, 1880; the Bennett Furniture Co., 1884; the Carling Brewing and Malting

Co., 1885; and the London and Petrolea Barrel Co., 1886.[9]

Taylor financed his investments in these businesses to a large extent through borrowings from the Bank of London, a joint stock venture incorporated in 1883, which took over the business of Taylor's private bank.[10] Capitalized at a million dollars, the bank ultimately sold $212,000 of shares to 153 individuals, most of them London residents. Directors included the mayor of London, private banker Thomas Fawcett of Watford, and businessman and brewer John Labatt, who served as vice president. Henry Taylor held the top position in the organization.

For three years the Bank of London appeared to do well. By 1886 it had built up a reserve of $50,000, paid a consistent 7% dividend, had over $200,000 of its banknotes in circulation, and had opened branches at Dresden, Ingersoll, Watford and Petrolia. In 1887 the Bank of Toronto began negotiations with Taylor to take over the Bank of London to establish a presence in southwestern Ontario. After examining the books, the Bank of Toronto backed out of the deal. In the meantime, rumours that the Bank of London was insolvent began to circulate, and soon a full-scale run was under way, and Henry Taylor had fled to the resort of Murray Bay, Quebec.

The failure produced a sensation in London, where one of the effects was a secondary run on Molson's Bank. However, London had six chartered bank branches and eight other financial institutions. Commercial activity in the city continued with few adverse effects. In the small towns, the suspension proved devastating, crippling the commerce of Dresden and Watford. Later investigations showed that Taylor's own businesses were the major borrowers, with overdrafts totalling in excess of $300,000.[11] The Bank of London had been badly mismanaged; the situation at the Ontario Investment Association was worse. When the Bank of London had been established, Taylor had sold all his bad debts to the loan association, and taken back cash in return. The auditors reported that "the books have been systematically cooked."[12]

Altogether, some $705,000 had been lost or misappropriated.

Henry Taylor spent a short time in prison, but was acquitted of embezzlement in 1888. The Bank of London was wound up in a voluntary liquidation by the shareholders, and the depositors eventually received all of their $680,000.[13] The shareholders realized 91.5 cents on the dollar, but had to wait until 1891 to get it.

The Bank of London was a unique institution in Ontario's financial history. No other chartered bank evolved from a private banking business in the 1880s, and no other chartered bank exerted such a large effect on small town banking operations in its immediate region. The Traders Bank took over the Bank of London's branches in Ingersoll, Watford and Brantford; the Bank of Toronto acquired those in Petrolia, Dresden and the head office in London. The Watford and Dresden offices soon closed, creating new openings for small-town private bankers.[14]

Henry Taylor overshadowed the other private bankers in London; no others enjoyed such a lengthy, high-profile career in the banking business. Private bankers did not enjoy the opportunities available to their counterparts in other cities. Not only did the chartered banks offer considerable competition, but London's commercial sector lacked firms doing a large business requiring foreign exchange. The savings business, meanwhile, was amply served by organizations such as the Huron and Erie Savings and Loan Society. The ticket agency business, which overlapped with banking in other cities, in London was firmly in the hands of specialists such as A.G. Smyth's agency.[15]

Despite the limited opportunities, Joseph Jeffery, a new competitor, challenged Henry Taylor and F.B. Beddome in the late 1860s. His office offered a full range of banking services, bought and sold stock, and sold insurance.[16] In 1869 the Dun and Wiman Mercantile Agency gave Jeffery a much higher credit rating than Henry Taylor.[17] It is possible that Molson's Bank sponsored Jeffery's Bank, providing him with funds to loan on business that was forbidden to chartered banks by statutory restrictions. In any case, Jeffery sold his banking business to H.F. McDonald and Co. in September of 1870, and became the manager of the new Molson's Bank London branch.[18] A decade later he was on his own again, listed as a "speculator" by Dun and Wiman.[19]

After taking over Jeffery's banking business in 1870, McDonald survived only five or six years. Another businessman, F.S. Clarke, was one of the more persistent members of London's financial community. He began with an insurance agency in the 1860s which evolved into a banking and brokerage business in the following decade.[20] After 1880 the bulk of his business seems to have been in stocks, bonds and debentures. The firm was still active under F.B. Clarke in the brokerage business in 1901.[21]

London enjoyed the liveliest period in its financial history during the 1880s. The city's business elite entertained visions of building the Forest City into a dominant regional centre, but their ambitions were in part frustrated by the absence of a locally-controlled bank. Perhaps inspired by the volatile petroleum industry, which had secured a strong place in London's economy, businessmen and even bankers pursued a course of speculation in real estate and shaky industrial ventures. The relatively conservative policies of the major chartered banks in the 1880s ran counter to the expansionist mood in London at the same time, and added to the frustration of the local elite. Henry Taylor's career with the Bank of London was the most obvious example of this speculative binge, but Taylor could not have pursued the course he did without the active support of members of London's business elite. Ranking below Taylor were the Mahon brothers – James and John – whose Mahon Banking Company, modelled on a small-town private bank, financed a motley collection of ambitious merchants and undercapitalized industrial ventures from 1878 until it failed in 1883.[22]

Had the failure of his private banking empire not intervened, Thomas Fawcett would have been another of London's high-flying speculative bankers.[23] Fawcett's move from Watford to London in 1883 was a further indication of the desire to establish an autonomous financial sector in London that would allow the city to grow as an independent regional centre, dominating southwestern Ontario. The demise, in succession, of the Mahon brothers, Thomas Fawcett and Henry Taylor between 1883 and 1887, ended London's ambitions as a financial centre, insofar as banking was concerned. Other institutions, particularly insurance companies and the Huron and Erie Savings and Loan Society, became the dominant London-based financial firms. The later London banking firms functioned largely as stockbrokers, though they were sometimes listed as "bankers and brokers." The important ones were Blakeney and Hellmuth in the 1880s, and Taylor and Sifton in the 1890s.

ii. Kingston

Although Kingston established itself as the dominant centre in eastern Ontario at an early date, much of its commerce continued to be controlled by metropolitan relationships with Montreal wholesalers and exporters until late in the nineteenth century. Kingston never developed as vital a wholesale sector as did Hamilton, and Montreal banks did a larger business in the city than did its home-based Commercial Bank. Commercial activity in Kingston had been established by its position as a seat of government, the activity of lumbermen, and its role as a shipping and shipbuilding centre. During the 1840s the city stagnated in real terms, and declined in relative terms as other Upper Canadian cities overtook it in population and commerce.[24] Often overlooked is the significant amount of trade conducted with New York state through the Oswego connection to the Erie Canal and Hudson River. The financing of this business through the buying and selling of U.S. exchange provided the greatest opportunities for private bankers in Kingston in the pre-Confederation period.

T.J. Angel, J.C. Haven and Henry Dupuy all advertised themselves as exchange brokers in Kingston in 1851. Dupuy ranked as the senior man; he had been in Kingston in the early 1820s as agent of the Bank of Montreal. Dupuy became the manager of the Farmers' Joint Stock Bank of Toronto in 1835, but returned to Kingston in the 1840s. The presence of three exchange brokers in Kingston, which at the time also had four chartered bank offices,[25] indicates that a large volume of trans-border shipping and commerce funnelled through the city. As well, the Commercial Bank, headquartered in Kingston, maintained a correspondent relationship with banks in Oswego and Albany during the 1850s and 1860s, as well as with its New York and Boston connections.[26]

Many private banks, both urban and small-town, had their origins in the grain and commodity sector. One of the first of these was James Linton, a Kingston auctioneer and general broker, who in the 1850s bought and sold foreign exchange, and offered cash advances on produce to be sold through his office. Linton's practice of lending on the security of unsold grain held in storage anticipated that of the chartered banks in lending on the basis of warehouse receipts.[27]

Another Kingston banker of the 1860s and early 1870s, Isaac Simpson, began advertising under the rather nebulous title of 'money broker,'[28] but by 1866 he added the phrase 'private banker' to his advertisements.[29] This was the first use of this term in Kingston, and probably only the second in Ontario.

A new generation of private bankers appeared in Kingston in the late 1870s and 1880s, most of whom engaged in a range of financial activities as well as general banking. The group included Folger Bros., J.B. Carruthers, Donald Fraser, Kent Bros., and Thomas Mills. Foreign exchange specialists, so important in the 1850s and 1860s in Kingston, largely disappeared in the 1870s, reflecting a relative decline in the importance of cross-border commerce. As well, the chartered bank offices of Kingston, particularly those of the Montreal, Merchants, and British North America Banks, offered strong competition for the remaining foreign exchange business. All three of these banks were based in Montreal, and their strong position in Kingston reflected the dominance of Montreal-based banks in eastern Ontario.

Despite their success in reclaiming Kingston's foreign exchange business in the 1870s, the city's chartered banks suffered a period of stagnation that lasted a generation. Although not a perfect measure, employment totals and their variations provide indications of the volume of banking business. Kingston's chartered bank offices employed 25 men at four offices in 1857 and 29 at five offices in 1866; by 1873 this total had declined to 20 men in three offices. The 1866 total was not exceeded until 1894.[30] The closing of the Bank of Upper Canada in 1866, the head office of the Commercial Bank in 1867, and the Kingston office of the Royal Canadian in 1869 forced many of the city's businessmen to establish new banking relationships with the remaining offices. The situation worked to the advantage of private bankers, who gained a foothold in the 1870s and retained a strong presence in Kingston for the rest of the century.

The strength of Kingston's private banks in the years after 1890 is a unique characteristic of the financial history of this city. In all years during this decade, at least five firms actively competed for banking business. Two were survivors of the early period of private banking, when foreign exchange dominated the business. Isaac Simpson, who began in the early 1860s, continued a private banking business until after 1900, in conjunction with his insurance and real estate business. The Folger brothers, with investments in shipping and steamships, were leading members of Kingston's business community. These activities led to their involvement in the

Figure 3.1

Chartered Bank Employees, Kingston Ontario, 1857-1900

bank	year 1857	1862	1866	1873	1881	1885	1890	1894	1900
Commercial	9	9	10						
Upper Canada	4	5	4						
Montreal	5	7	7	6	6	6	6	7	7
B. N. A.	7	5	4	6	5	6	6	6	5
Royal Canadian			4						
Merchants				8	6	7	7	8	7
Federal					6	6			
Ontario							6	7	9
Standard								4	6
total	25	26	29	20	23	25	25	32	34

[Sources: *Canada Directory, 1857;* Kingston City Directories for 1857, 1862-3, 1867, 1873-4, 1881-2, 1885-6, 1890-1, 1894, 1900-1.]

foreign exchange business about 1865, though they did not begin to advertise as a private bank until 1878. In addition to his activity as a banker, Benjamin Folger served as manager of the Kingston and Pembroke Railway. Other members of the family were also active in railway circles and with the St. Lawrence Steamship Co.[31] The firm participated in the mining boom in Hastings county in the 1870s as developers and speculators; in 1881 they sold one of their iron mines to the Bethlehem Iron Co. of Pennsylvania.[32] The family banking business continued beyond 1900.

J.B. Carruthers built a banking business on the base of a wholesale grocery firm operated by his family in the 1850s and 1860s. He began his banking activities as a private lender and financial agent in the 1880s, and expanded to a full private banking operation in 1890, which continued for over a decade.[33]

Donald Fraser was the only Kingston private banker to suffer the indignity of a failure. Fraser had risen rapidly in the service of the Merchants Bank, attaining the post of inspector. He then was appointed manager of the Kingston branch in 1872.[34] The former head office of the Commercial Bank, this was one of the most important offices in the Merchants Bank branch network. In 1881 Fraser resigned as manager, and set up a private banking office. Fourteen years later he was forced to make an assignment to his creditors.[35] His largest debt was to the Merchants Bank, who were owed $54,000. It is obvious that Fraser's departure as manager of the Merchants Bank had been an amiable one. Fraser transacted business almost exclusively with farmers, and the Merchants Bank supported him in lending activities that they were unwilling to carry on their own books, or unable to carry due to Bank Act regulations forbidding mortgage security.

Before opening their private bank in 1890, the Kent brothers had both served for brief intervals in Kingston's chartered banks. R.E. Kent worked as the teller in the Federal Bank until it closed in 1888. He then formed a short-lived private banking partnership with insurance agent Thomas Mills. In 1890 he joined his brother, W.C. Kent, a clerk in the Merchants Bank, in the firm of Kent Bros., which survived until the 1915 era in the banking and brokerage business. Along the way they acquired a mica factory, which was run from the banking office.[36]

After dissolving his partnership with R.E. Kent, Thomas Mills formed a second banking partnership in 1891 with his father, Thomas Mills Sr., a dealer in hats and furs. By the end of the decade the elder Mills had retired, and was replaced by J.E. Cunningham. The firm was supported by the Standard Bank, which also had its own branch in Kingston. Like Donald Fraser, Mills and Cunningham specialized in agricultural accounts, and actively solicited the business of the numerous cheese factories in eastern Ontario in the 1900 era.[37] The role of the Standard Bank in supporting Mills and Cunningham parallelled that of the Merchants Bank in sustaining Donald Fraser. Mills and Cunningham were still in the banking and insurance business in 1915, and the Thomas Mills and Co. insurance agency survived until at least 1935.[38]

The persistence in Kingston of private bankers with strong ties to the agricultural community into the 1900 era indicates that farmers sustained a sub-economy in the city that characterized that in small towns. Some farmers may have felt unwelcome in the chartered bank offices, but it is more plausible that social factors were most important. The predilection of farmers in Kingston's environs to deal with private bankers reflects the cautious outlook of these people, in that they preferred someone they knew well over the seemingly inflexible representative of a distant bank. Lingering resentment over the loss of Kingston's own Commercial Bank among both farmers and some Kingston businessmen may also have played a part in the continuance of private banking in this city into the twentieth century.

Figure 3.2

Private Banking Firms, Kingston, Ontario

banker	active as a banker	other business activities
Henry Dupuy	c1851	mgr, Bank of Montreal,1829-
Thomas Angel	c1851-1862	
J.C. Haven	c1851-1873	insurance, broker
James Linton	c1862-c1866	commodity broker
J.C. Clark	c1862-c1865	U.S. consul
Isaac Simpson	c1862-c1900[a]	insurance, real estate
Folger Bros.	c1865-c1900[b]	forwarders c1865-c1878; railways & steamships c1870+
Alex Bamford	c1873-c1878	ticket agent
Donald Fraser	1881-1892	mgr, Merchants Bank 1872-1881
J.B. Carruthers	1881-c1900[c]	wholesale grocery 1857-c1870
Mills and Kent	1888-1889	Thos. Mills jr.: insurance 1885-1888; R.E. Kent: teller, Federal Bank 1883-88
Kent Bros	1890-c1915	R.E. Kent: (see Mills and Kent); W. Kent: clerk, Merch. Bank 1889-90
Mills & Cunningham	1891-c1915	Thos. Mills sr.: fur dealer 1891-c1915; J.E. Cunningham: insurance
C.L. Curtis	c1895-c1899	physician c1881-c1900

[a]First listed as private banker 1866.
[b]First listed as private bankers 1878.
[c]First listed as private banker 1892.

[Sources: Kingston City Directories, 1857 to 1915.]

iii. Toronto

Although minor players, private bankers in Toronto were part of the evolution of the city into a major financial centre during the second half of the nineteenth century. Toronto's private banking firms of the 1850s dealt to a large extent in bonds and debentures, and in the few stocks that were traded at this time.[39] Foreign exchange was much less important to these bankers than to those in other cities. The intense competition for regular banking business among the six chartered bank offices in the city prevented any of the private firms from developing significant volumes of business.[40] The turnover among Toronto's private bankers exceeded that in other cities. Some of the proprietors moved in and out of the chartered system; others progressed to activities elsewhere in the financial sphere of the city. By the early 1850s most of the banks and other financial offices began congregating near the corner of Church and King Streets, creating the city's first financial centre.

Toronto's private bankers in 1851 included Robert Codd and Samuel P. Stokes. The County of York Savings Bank, under the management of James Henderson, catered to small depositors, a class of business which did not interest the chartered banks at the time. The Farmers Joint Stock Bank, the most enduring product of the banking experiments of the late 1830s, approached the end of its existence in 1851, and its manager, W.B. Phipps, would soon set up his own office as a banker, land agent, conveyancer and stock broker.[41] In 1855 John Cameron, the manager of the Commercial Bank branch in Toronto, established his own private bank.[42] Like James Linton in Kingston, Cameron made loans on consignments of produce.[43]

The first use of the term 'bank' in connection with these firms appears in Lovell's 1857 directory, which lists W.B. Phipps as a banking and exchange office, and John Cameron as a banker and stock and money broker.[44] At this time Robert

Codd seems no longer to have been in business, and Samuel Stokes had removed himself to Brantford, where he served as cashier of the short-lived (1857-1860) Bank of Brantford.[45] Two new financial firms had commenced business by 1857. E.F. Whittemore & Co. acted as the Toronto representative for the Montreal-based Banque du Peuple as one of his activities, and W.R. Brown, who at this time called himself a land and money broker, would, by 1870, head the largest private banking firm in the city, Brown's Bank.

Toronto's brokerage and private banking sector grew markedly during the 1860s, particularly in the wake of the failure of Ontario's three oldest chartered banks, the Upper Canada, Commercial and Gore. Following the disruptions during the 1857 financial crisis, the stock and debenture markets became fairly stable, allowing an orderly market to develop around the city's incipient brokerage firms. Blaikie and Alexander, Toronto's first major stock brokerage firm, was strong enough by 1868 to attempt a financial rescue of the troubled Gore Bank, and a rival firm, Pellatt and Osler, made another offer the following year.[46] Blaikie and Alexander dissolved their partnership in April of 1875.[47] William Alexander became the vice president of the Federal Bank, and established a new partnership with another Toronto stockbroker, John Stark. When the failing St. Lawrence and City Banks were merged into the Consolidated Bank in 1876, J.L. Blaikie sat as a director.[48] These activities anticipated the close ties that would exist by 1900 among brokers, bankers, railway promoters and businessmen.

Brokers such as Blaikie and Alexander, Pellatt and Osler, and their lesser cohorts all engaged in banking functions, but these always remained ancillary to their major activities. The Pellatt and Osler partnership was established shortly after E.B. Osler (1845-1924) lost his job on the failure of the Bank of Upper Canada in 1866. Henry Pellatt Sr. had also been a Bank of Upper Canada employee.[49] Pellatt and Osler conducted business as stockbrokers and private bankers until 1882. Henry Pellatt's election as president of the Toronto Stock Exchange in 1879, and Osler's brokerage partnership in 1882 with H.C. Hammond, who had just resigned as the cashier of the Bank of Hamilton, were significant developments in Toronto's growth as a centre for industrial and corporate finance.[50]

The Toronto capital market expanded at a slow evolutionary pace, but the 1880 era, with the establishment of the Toronto Stock Exchange in permanent quarters for the first time and the emergence of strong brokerage firms with direct telegraphic connection to New York, stands out as a watershed.[51] Brokerage firms by this time had grown large enough that they no longer needed to complement their activities with private banking or other endeavours. Banking, for these firms, came to mean the underwriting of bond and debenture issues, the purchase of stocks and bonds on speculation, and the operation of deposit and margin accounts for their regular customers. Osler and Hammond became one of the more successful Toronto brokerage firms, with strong ties to the banking, railway and insurance sectors of the economy.

Following the breakup of the Pellatt and Osler firm, Henry Pellatt formed another partnership with his son Henry Jr. (later Sir Henry) Pellatt, under the style of Pellatt and Pellatt. This firm soon acquired a reputation for speculative land investments and questionable stock promotions. They approached banking not as a part of their regular business, but as a major source of capital for their speculations. Henry Pellatt Jr. eventually acquired control of the Home Savings and Loan Co., and succeeded in having it chartered as the Home Bank, which ultimately experienced Canada's most notorious bank failure.[52]

The opportunities for firms such as Osler and Hammond, and Pellatt and Pellatt, to pursue successfully different segments of the stock and bond business in the early 1880s indicates that the securities market in Toronto had developed markedly in the preceding decade. It was clearly a growth area in the financial sector of the city, eclipsing what remained of private banking in Toronto. The new stock brokerage firm of Gzowski and Buchan, organized early in 1881, further illustrates the trend. This partnership, advertising itself as 'bankers and stock brokers,' was in fact the reorganization of two of the older private banking firms: Gzowski and Morse, who had been exchange specialists; and Buchan and Co., brokers and financial agents.[53]

E.B. Osler and Henry Pellatt were only two of the chartered bankers forced into career changes as a result of the bank failures of the late 1860s. The Toronto private banking firm of Campbell and Cassels involved two senior and experienced executives. C.J. Campbell, manager of the Toronto branch of the Commercial Bank, started his own firm after he found himself on the street when that bank closed its doors in 1867.[54] Within a year, he was joined by W.G. Cassels, who had resigned as cashier of the Hamilton's Gore Bank under considerable heat from the shareholders.[55] Cassels had been Toronto manager of the Bank of British North America from about 1848 until he joined the Gore Bank in 1863.[56]

Campbell and Cassels dealt in stocks and bonds, but the bulk of their business involved foreign exchange transactions. They do not appear to have engaged to any extent in discounting or in the deposit business. Both men had built up strong business relationships during their lengthy chartered bank careers. They acted as the Toronto agents for the large New York banking firm of Duncan, Sherman & Co., who in turn worked closely with Baring Brothers of London in sterling exchange transactions.[57] Campbell and Cassels did well until 1875, when Duncan, Sherman & Co. failed following unsuccessful speculations in cotton and imprudent investment in railway securities. Campbell and Cassels were listed among the major losers. Their creditors settled for 60 cents on the dollar, and the firm resumed business late in 1875, carrying on in difficult circumstances until 1878, when they failed again. During the last few months of their firm, Campbell and Cassels had been kept afloat with $20,000 of kited funds which circulated through the books of the Consolidated Bank.[58] At the time of the second failure, the firm had direct liabilities of $62,000, and indirect liabilities of a further $29,500.[59] Within months of the failure, W.G. Cassels emerged as a stock broker in partnership with his son, R.S. Cassels, who also had been a chartered bank officer in the 1860s before entering the forwarding business.[60]

In addition to expediting sterling exchange transactions, Canadian private bankers in the early 1870s desired a strong New York connection for gold and silver dealings and the buying and selling of American stocks and bonds. The failure of Jay Cook and Co. at the end of 1873 caused losses to at least a dozen Ontario private bankers, in both cities and smaller towns. Two Toronto private banking houses appeared on this list: R.H. Brett and Philip Browne & Co.[61]

The 1870s saw a trend to specialization among the firms in Toronto's financial sector. Most of the brokerage houses continued to deal in foreign exchange, a useful adjunct to their dealings in American stocks and bonds, and some continued to use the term `banker' in their advertisements, and would continue to do so into the 1880s. Of the 30 or so firms active in Toronto's financial sector in the 1870s, perhaps a half-dozen could legitimately be called private bankers: Campbell and Cassels, Forbes and Lownsborough, Philip Browne & Co., R.H. Brett and Co., Robert Beaty & Co., and W. Paterson and Co. The first three of these were heavily involved in the stock and bond market.[62]

R.H. Brett laid the foundation of his lengthy banking career in a grocery and dry goods business, and over time began acting as a general agent and commodity broker.[63] In the late 1850s, he established a private bank under the style of The Exchange Bank of Toronto. Despite the title, it was a proprietorship. Brett claimed to have $140,000 of capital in the business. His contacts as an importer and merchant allowed him to build up an impressive list of correspondents, which included Duncan, Sherman & Co. of New York and Allan & Gillespie, the Liverpool merchants and exporters.[64] Brett's office, offering a full range of deposit, discounting, exchange and insurance services, seems to be the only one of its kind in Toronto, and had more in common with the small town banks than with the other members of Toronto's financial community. Indeed, in the 1860s Brett operated an office in Orangeville, though this seems to have been for insurance only.[65] As Brett's Banking House, he continued to operate a full-service bank in Toronto into the 1870s. He specifically advertised for the business of immigrants to Canada,[66] a line of business that offered profits on foreign exchange, commissions on drafts, and short-term deposits.

Robert Beaty graduated to banking after a stint as manager of the Toronto *Daily Leader and Patriot* in the early 1860s.[67] As Robert Beaty & Co., this firm followed a cautious course. Lagging behind other Toronto private bankers in the trend to specialization, Beaty continued to offer a wide range of services into the late 1870s, including mortgages, deposit accounts, drafts, exchange, and securities.[68] Beaty joined the Toronto Stock Exchange about 1875, indicating the future course of direction for the firm. Always among the top Toronto financial firms in its credit rating, Robert Beaty and Co. survived into the World War I era, concentrating on stocks and bonds, but still active in the deposit and exchange business.

Brown's Bank had a shorter and much more colourful career than the other Toronto private banks. It was founded in 1864 by W.R. Brown, a stationer and printer. Of the initial capital, $50,000 was advanced by the City Bank, and guaranteed by W.C. Chewett, a wealthy Toronto capitalist and proprietor of the publishing firm Maclear and Co.[69] Brown's Bank advertised a general banking business, but by 1868 the major activity had become speculation in gold on the New York market. Early in

1868, Chewett transferred all his property to his wife, and joined the firm as a partner, but added no capital to it.

Though unknown to the public, the bank was at the time bankrupt. Chewett's reputation as a man of means helped restore public confidence in the firm, which had been undermined by rumours of substantial losses. The bank collapsed early in 1869, as a result of unsuccessful in speculations on Erie Railroad stock, and from losses of $50,000 on gold transactions.[70] Liabilities of the firm totalled $116,000; perhaps half of this was due to the City Bank and Royal Canadian Bank. Assets amounted to only $7,500. Depositors' losses probably amounted to $50,000, a substantial sum in itself, but an insignificant portion of the bank deposits in Toronto. Chewett later admitted under oath that Brown's Bank existed for the sole purpose of speculation in stocks and gold.[71]

Clearly, Chewett and Brown acted fraudulently, but blame for the collapse had to be shared by the two chartered banks, neither of which properly supervised the Brown Bank account. Among those who misjudged the soundness was the mercantile rating firm of Dun, Wiman and Co. A few months before the failure they gave Brown's Bank their highest credit-worthiness rating, and estimated the strength of the firm at between $100,000 and $250,000,[72] the highest rating ever given to a Toronto private bank.

Toronto's private banking firms performed an integral role in the development of that city into the financial centre of the country. The relatively large number of chartered bank offices in Toronto prevented the private firms from making major inroads into the usual banking services. Instead, Toronto's private banks specialized from the beginning in various types of financial brokerage and in the handling of securities. Chartered bank officers moved easily into and out of the private bank sector, helping to establish a financial elite in the city that guided and controlled much of the country's capital. Even when Toronto's stock and bond market was still in a nascent state in the 1850s and 1860s, banker/brokers predominated among the city's private banking firms. Though all of Ontario's larger cities, and some of the smaller ones, supported one or two of these banker/brokers, their concentration in Toronto suggests that no other city was ever in a position to seriously challenge the Queen City as the dominant centre of the province's capital and finance. Hamilton, which for much of the nineteenth century saw itself as a rival to Toronto, had more banker/brokers than other cities, but the level of activity there, as indicated by the number of banker/broker firms, always lagged far behind that in Toronto. Kingston, which declined in relative financial importance over the period, had only a couple of banker/brokers in the latter part of the century; Folger Brothers and Mills and Kent being the most important, though for both their brokerage business constituted only a sideline to other business activities. The absence of strong banker/brokers in Kingston in the 1850s and 1860s was a clear demonstration of the lack of dynamism in that city's local economy in that period, as well as the strong centripetal forces exerted by the Montreal metropolitanism on the one side, and the rising financial domination of Toronto on the other.

iv. St. Catharines

St. Catharines experienced a flurry of private banks in the late 1860s and early 1870s, but most had short lives. The names of Daniel J. Moore, James McEdward, Samuel St. John, L.H. Collard, D. Curtiss Haynes and Charles Thompson are found in directories and newspaper advertisements between 1868 and 1875.[73] Private bankers appeared relatively late in St. Catharines, probably due to the strong presence maintained by the chartered banks, and the fact that few wholesale firms or commodity merchants had located there.[74] The city had only a minuscule hinterland compared to of the country's capital. Even when Toronto's stock and bond market was still in a nascent state in the 1850s and 1860s, banker/brokers predominated among the city's private banking firms. Though all of Ontario's larger cities, and some of the smaller ones, supported one or two of these banker/brokers, their concentration in Toronto suggests that no other city was ever in a position to seriously challenge the Queen City as the dominant centre of the province's capital and finance. Hamilton, which for much of the nineteenth century saw itself as a rival to Toronto, had more banker/brokers than other cities, but the level of activity there, as indicated by the number of banker/broker firms, always lagged far behind that in Toronto. Kingston, which declined in relative financial importance over the period, had only a couple of banker/brokers in the latter part of the century; Folger Brothers and Mills and Kent being the most important, though for both their brokerage business constituted only a sideline to other business activities. The absence of strong banker/brokers in Kingston in the 1850s and 1860s was a clear demonstration of the lack of dynamism in that city's local economy in that period, as well as the strong centripetal forces exerted by the Montreal metropolitanism on the one side, and the rising financial domination of Toronto on the other.

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Samuel St. John (1820-1881) came to private banking through earlier mercantile and commodity brokerage activities. Born in Pittsburgh, he had spent his early career as a St. Catharines dry goods and grocery merchant. He ventured into banking as a small-time money lender and financial agent, dealing in debentures.[75] In the late 1840s he made unsecured loans for small sums, though in 1849 he resolved to conduct all his retail business on a cash basis only. "I have a great deal standing account out," he recorded in his diary.[76] Already by this time, St. John was circumventing the traditional Upper Canadian trade channels through the large Montreal-based wholesale suppliers, and, taking advantage of the Erie Canal trade network and the incipient American railway network, was purchasing his stock in New York, Niagara, Rochester and Toronto, usually for cash.[77]

After a few years as a small, part-time money lender, St. John's banking business commenced in earnest with the trade he did in livestock and commodities beginning in the late 1840s: grain, horses and butter packing. In 1860 he abandoned the grocery and dry goods business altogether, devoting his attention to exclusively to commodity brokerage and money lending.[78] The business evolved during the 1860s into a full-fledged private banking operation, though St. John did not begin describing himself as a banker until the mid 1870s.[79] St. John enjoyed spectacular success in the 1860s: Dun and Wiman rated his net worth in excess of $250,000 in 1869, a level unmatched by any other unincorporated financial firm in Ontario, with the possible exception of Stinson's Bank in Hamilton.[80] The St. Catharines-based Niagara District Bank at this time had a paid up capital of $305,451 and a reserve of $36,933,[81] giving it a financial strength approximately equal to that of St. John. He continued the banking business until his death in 1881.

D. Curtiss Haynes began with an insurance agency in the early 1850s, then entered business as a grocer. From 1869 until shortly before his death in 1875 Haynes operated a banking, exchange and ticket office.[82] He seems to have been among the more successful of St. Catharines' businessmen: Dun's listed his net worth in 1869 at between $50,000 and $100,000, with a credit worthiness rating only half a step below that of Samuel St. John, who had the highest rating in the city.[83] Although his advertisements describe his business as an "Exchange and Banking Office," there is no evidence that he offered deposit accounts or discounting of notes.[84] It is likely that foreign exchange transactions formed the bulk of his business. From the available financial information it is evident that Haynes had a large amount of working capital, which he attempted to employ in the buying and selling of American currency. There was undoubtedly a speculative aspect to some of this activity. Haynes's major correspondent transactions were with Jay Cook & Co. of New York. When that firm failed at the end of 1873, Haynes was a creditor to the extent of almost $24,000.[85] His business never recovered from this blow.

Like Haynes, L.H. Collard (1837-1918) specialized in foreign exchange transactions.[86] This was the longest-lived of the private banking operations in St. Catharines, persisting into the twentieth century.[87] Collard had a competitor, John W. Grote, in the late 1880s and 1890s. Grote combined foreign exchange dealings with a real estate, ticket and insurance office, and acted as the St. Catharines agent of the American Express Co.[88] He advertised himself as an 'exchange banker' and 'foreign banker.'[89]

The success of the foreign exchange bankers in St. Catharines demonstrates that a significant amount of the day-to-day commerce of the city was transacted with American firms, and that payments could be facilitated through the private bankers as easily as with the chartered banks. The evidence suggests that the chartered banks on the Niagara frontier retreated from cross-border business over time. The head office of the Niagara District Bank dropped its correspondent relationship with The Bank of Attica in Buffalo in the late 1860s. The Hamilton based Gore Bank had correspondents in Albany, Rochester and Buffalo in 1864; by 1869 only Buffalo remained.[90] The success of Collard and Grote in the foreign exchange business until late in the century indicates that cross-border commerce on the Niagara frontier remained strong long after it faded in the Kingston area.

c. Private Banking and the Financial Elite of Hamilton

Formal banking facilities in Hamilton became available with the opening of the Bank of Upper Canada office in 1833 and that of the Commercial Bank two years later. As part of the gentleman's agreement among Upper Canadian banks at the time, by which the province was divided up geographically, both these offices were closed when the new Gore Bank opened its doors in May 1836. The agent of the Commercial Bank served as a founding director of the Gore Bank, and Andrew Steven, manager of the Bank of Upper Canada, became the first cashier of the Gore Bank.[91]

Between 1836 and 1843 the Gore Bank enjoyed a monopoly on the banking business of Hamilton. At its first session in 1841, the legislature of the Province of Canada renewed the charter of the Bank of Montreal. Among the new provisions, the charter granted authority to open branches anywhere in Canada,[92] a regulation soon made applicable to all previously chartered banks. The Bank of Montreal began operating under its own name in Canada West in 1840, re-establishing its offices at Toronto, Kingston, and opening in Bytown. Early in 1843 the bank opened a new office at Brockville, and two months later, one at Hamilton. It was located at 9 King

Street West, just beyond the intersection with James Street.[93] The Bank of Montreal office anchored the financial sector to this area of the downtown Hamilton. Over the next two decades, most of Hamilton's banking and financial offices would locate within a block of the King and James intersection.

The branch policy of the Bank of Montreal served to negate the territorial divisions observed by the Upper Canadian banks. Within months in 1843 both the Bank of Upper Canada and the Commercial Bank were back in business in Hamilton. They were joined the following year by a branch of the Bank of British North America.[94] This British-owned bank, commencing business in 1840 with an Imperial charter, was pushing aggressively into all parts of British North America.[95]

Private banking in Hamilton began with the opening of Josiah Bray's office in 1845,[96] when the city already possessed five chartered bank branches. Born in England in 1820, but spending most of his youth in France, Bray came to Hamilton sometime in the early 1840s.[97] Unfortunately, nothing is known of his training in banking and financial matters, his early employment before he came to Hamilton, or of his personal means that permitted him to open his own financial office at the age of 25.

With four chartered bank branches and a head office in operation in the city, Bray established himself in a niche market, serving financial needs not met by the chartered banks. Like the opposition, he offered interest on deposits and discounted notes, but he also acted as a money and bill broker, arranging transactions between lenders and borrowers that did not appear on his own books. Through a network of correspondent banks he sold and cashed drafts on England, Ireland, Scotland and Germany, and dealt in uncurrent specie and banknotes; that is, coins and paper money not accepted as legal tender in Upper Canada. He also sold marine and fire insurance.[98]

Bray held the Hamilton agency for the Inman and Hamburg steamship lines. The ticket agency came to dominate his business in the 1850s. By 1858 he had ceased to accept deposits, and by 1862 he no longer called himself a banker, though he continued to act as a money broker and dealer in exchange and in uncurrent banknotes and specie as an adjunct to the ticket agency.[99] Bray last appears in the 1865 Hamilton City Directory. By this time he faced competition from several other ticket agencies, most of whom also performed some banking functions. Josias Bray moved to Toronto about 1865, establishing a ticket agency at Front and Wellington Streets.[100]

When Bray established his banking office, his savings deposit business filled a significant void in Hamilton banking. In 1845 deposits represented only a small part of the chartered banks' liabilities, and most deposits were in non-interest-bearing current accounts. The disinclination of the chartered banks to attract savings deposits prompted the formation of two more private banks: the Hamilton and Gore District Savings Bank in 1846 and Stinson's Bank in 1847.

The Hamilton and Gore was organized as a joint-stock company, with nine founding directors.[101] Three of these were or would be involved in other banking activities: Hugh C. Baker was the manager of the Hamilton branch of the Bank of Montreal from 1843 until 1850. In 1847 he founded the Canada Life Assurance Company, and he was also prominent in three building societies before his death in 1859.[102] Ebenezer Stinson and his future nephew-in-law, Charles M. Counsell would later become associated with Stinson's Bank, and Counsell's son would eventually establish his own private bank in the 1880s.

Though there were no overlapping directorships, the Hamilton and Gore quickly established a working relationship with the Gore Bank. The business of the savings bank was transacted at the Gore Bank office, and one of the clerks there, R.P.

Street, had charge under the title of actuary. The Hamilton and Gore accepted deposits of over one shilling, up to a maximum of £100 per depositor. Deposits left more than three months earned interest of 4%, and 14 days' notice had to be given for withdrawals of over £10.[103] The Hamilton and Gore Savings Bank invested exclusively in chartered bank stocks and municipal and provincial debentures. Success for the Hamilton and Gore came immediately, and spectacularly in the early 1850s. Deposits at the end of June 1851 stood at £9,987, an increase of 32% over the previous year. At the end of August 1854 the deposit liabilities had reached £31,822, an average annual increase of 45% over the previous three years.[104]

The Canada Life Assurance Company purchased the Hamilton and Gore District Savings Bank ten years after it had been founded, retaining Lewis R. Marsh as manager. At the end of its independent existence the Hamilton and Gore had 839 depositors, over £33,000 in deposits, and an accumulated surplus of £5,111. Two-thirds of the money was invested in municipal debentures, with a significant holding of Gore Bank stock.[105] Shortly after the Canada Life's acquisition of the Hamilton and Gore, the Gore Bank established its own savings department under the title of the Gore District Savings Bank, with R.P. Street continuing his old position as actuary.[106]

The most enduring of Hamilton's private banking operations proved to be Stinson's Bank, established by Thomas Stinson (1798-1864) in 1847 on Hughson Street, just to the north of the King Street intersection, very near the financial centre of the city. Thomas Stinson had purchased a store in Dundas in 1831 before moving to Hamilton in 1841.[107] The Dundas store and the wholesale dry goods and grocery business operated from it provided the foundation for the Stinson fortune. With his brothers, Ebenezer and John, Thomas Stinson had begun his career as a back-pack peddler on the Niagara peninsula. He eventually acquired a horse, and did well as a jobber on the Welland Canal in the 1820s.[108] During the early 1840s Thomas Stinson quickly established himself among the elite of Hamilton as a successful real estate speculator. Soon he ranked among the city's wealthiest men, a resident of Hamilton's exclusive Queen Street neighbourhood, occupying a mansion across the street from Colin Ferrie, president of the Gore Bank.

During the 1840s Stinson moved into real estate in a major way, building small shops and houses for sale and for rent, and buying parcels of land on speculation.[109] It appears that Stinson's motivation in establishing his private bank in 1847 was to employ the rapidly increasing savings of Hamilton's residents to expand his real estate operations. Much of the deposit money attracted to the bank Stinson employed out of town, to purchase large holdings of real estate in Chicago, St. Paul, Superior and Duluth. Stinson's daughter stated that these investments began in the summer of 1848, when the family went to the windy city and Thomas acquired lands along the Chicago canal.[110]

In 1849 Thomas Stinson sent his twenty-one year old second son, James, to Chicago to look after his interests there. James Stinson remained in Chicago the rest of his life. Thomas Stinson lived until 1864, retaining control of the bank until his death, though the day-to-day management was in the hands of his third son, John Stinson, from about 1860.[111]

The nature and extent of the business done by Stinson's Bank in these years remains murky. Writing after 1900, Hamilton historian Richard Butler recalled that in 1848 the Savings Bank and Stinson's Bank were the principal banking houses in the city.[112] In all probability, he was speaking of deposit business: the five chartered banks in the city at this date all did a large volume of commercial discounting. Stinson's Bank never advertised extensively, and the few surviving notices from the early years do not mention any exchange or discounting business. One advertisement, in the Hamilton *Family Journal* in 1848, offers 4½% on demand deposits and 5% on six month term deposits.[113] Other sources report Stinson's interest rates at 6%.[114] These rates were above those offered by the chartered banks and the Hamilton and Gore District Savings Bank, and further support the theory that Stinson's Bank invested heavily in speculative real estate rather than lower-yielding commercial discounts, bonds and debentures.

An 1874 advertisement offered 4% and 5% on deposits, and exchange transactions on New York and London through the facilities of the Canadian Bank of Commerce.[115] Another surviving advertisement, from a later period, promotes the savings department, which was open between 10 am and 3 pm daily.[116] During the 1870s Stinson's Bank provided the *Monetary Times* with weekly information on the Hamilton money market.[117] This suggests the management participated in a broad range of banking activities in the city, or at least enjoyed a close familiarity with them.

Tom Naylor, in *The History of Canadian Business,* asserts that the Merchants Bank long supported Stinson's with a line of credit; however, the directors' minutes of the bank disclose no such credit approval, though Stinson's did at times use the New York agency of the Merchants Bank for foreign exchange transactions.[118] Through the 1870s Stinson's, dealt in sterling and American exchange, and sold American stocks and bonds.[119] Stinson's Bank received a high credit worthiness rating from Dun's in 1864 and 1865, but was not rated in some later years, suggesting that the bank did not seek working capital outside the deposit business.[120] Overall, it appears that discounting and exchange transactions always took a back seat to the deposit business at Stinson's Bank, definitely so in the later years of the operation.

Stinson's Bank remained a family affair for all of its existence. James Stinson succeeded his father as the head of the bank, though as a resident of Chicago, he was not able to guide its affairs closely. John Stinson survived his father by only a year. The manager then became Charles M. Counsell (1839-1900), the brother of John Stinson's wife, who had worked as a clerk in the bank since at least 1862. Except for a couple of short breaks, Counsell remained with the bank for over a decade. Henry Stinson, the youngest of Thomas Stinson's sons, joined the firm about 1868 as a clerk.[121]

Charles Counsell left Stinson's Bank in 1876 to accept the managership of the Hamilton branch of the Exchange Bank which opened that year.[122] He remained in this position until the Exchange Bank failed in 1882, then embarked on a career as a private banker and stock broker.[123] Henry Stinson, who was next in line for the managerial position, died suddenly in 1877 at the age of 29.[124] James Stinson now had run out of brothers, and turned to another branch of the family to manage the bank. He tapped A.H. Moore, a son of his first cousin Ann Stinson, and a Lieutenant-Colonel in the militia, for the post. Moore's father had been Thomas Stinson's store manager in Dundas in the 1830s. The third generation of the family became involved in 1882 when John Stinson's son, Thomas H. (1860-1892), was admitted to the bar. He devoted most of his time to the management of the family's Hamilton business and real estate holdings, and never opened a general legal practice.[125]

Stinson's Bank operated as a stable component of Hamilton's financial community for decades. James Stinson, meanwhile, had become a visible member of the Chicago elite. As a director of the Northern Pacific Railway he used Stinson's Bank to sell the line's shares and bonds in Hamilton in 1871.[126] Potter Palmer, the archetypical Chicago magnate of the 1870s, became one of his associates, and together the two men built the second version of the Palmer House hotel, one of the true palaces of the Gilded Age, after the Chicago fire of 1871. Stinson lived there until his marriage in 1877.[127]

After his marriage, James Stinson constructed a mansion for himself at 4436 Drexel Blvd. in Chicago, on some of the land purchased by his father in the late 1840s. This tract had become one of the more prestigious residential areas of the city; it was also the most profitable investment ever made by the Stinsons. James Stinson maintained a couple of stock farms outside the city, and indulged himself with thoroughbred trotting horses, raised on a 700-acre farm in Indiana.[128] By the 1890s, Stinson's reputation was based as much on his livestock as on his real estate ventures: he reportedly spent $200,000 on his horses and stables.[129]

Not all the investments proved to be as profitable as the Chicago land. Stinson's problems began in 1894, when he began litigation over the possession of 2,240 acres of Superior, Wisconsin. This land had been first occupied in the early 1850s by a group of Swedish immigrants, who sold the land to Thomas Stinson after a few years. Stinson had then laid out a town, naming it Superior. About 1892 some local residents, in an attempt to get control of the land themselves, persuaded federal authorities to challenge Stinson's title in court. By this time the land had an estimated market value of $1,500,000, and Stinson had paid over $100,000 in municipal taxes on it over the years.[130] Stinson won the initial trial, but then was sued by the U.S. government, which claimed the family had used fraud in acquiring the lands.[131] The matter remained tied up in costly litigation for years, and was still before the courts late in 1902.[132]

The Superior lands locked up much of James Stinson's capital. The income from the bank and from his other investments could not support his extravagant lifestyle, and during the late 1890s he seriously depleted what amounted to the bank's reserves. The roof did not fall in until the fifth week of 1900. Lt. Col. Moore had retired at the end of 1899 as manager of the bank. The long-serving teller, Alex Leith, had refused to take over the managership until he was satisfied with the soundness of the assets represented by the deposits. Stinson made only vague promises to supply statements and documentation.[133] During January of 1900 Leith's suspicions concerning the solvency of Stinson's Bank became obvious to some of the depositors when he began to discourage new deposits. For a year there had been rumours emanating from Chicago that Stinson was being pressed by some of his creditors there. As well, a number of eyebrows in Hamilton had been raised by the nature of Col. Moore's departure from the bank, which was not announced publicly, but only leaked out in late January, three weeks after the fact.[134]

Few in Hamilton realized fully the doubtful position of James Stinson, or that his bank had been insolvent for months, if not years. An American bank had foreclosed on a piece of Stinson's Chicago property in 1898, but this did not become known in Hamilton until after the bank failed.[135] A mild run on the bank began during 1899, but it never did become serious. It was not the depositors, but the teller, Alex Leith, who precipitated the final crisis when he refused to accept any more deposits on 2 February 1900 after James Stinson had failed to provide him with satisfactory financial statements.

Initially, the depositors anticipated little difficulty in getting their money, due to the widely-held belief in Hamilton that James Stinson was a very wealthy man. Alex Leith remained in the bank for several days following the suspension, trying to reassure depositors that Stinson had sufficient assets to cover the deposits. The belief in Stinson's wealth seems to have been shared widely in the financial community as well.[136] No doubt, his reputation prevented a disorderly run on the bank. Only about $20,000 of the $300,000 of the deposits were withdrawn during the last month of the bank's existence, despite abundant rumours of Stinson's difficulties.[137]

During the week following the suspension, the press revealed more details of

James Stinson's precarious financial position. Family ties and the close-knit financial community of Hamilton had kept the particulars from wide circulation. All the Stinson-owned real estate in Hamilton was heavily encumbered to lawyer Edward Martin and to John T. Glassco, a stock broker married to James Stinson's first cousin. In January of 1899, more than a year before the failure, Stinson had assigned his rights in much of the real estate to Glassco, who in turn appointed Col. A.H. Moore, the manager of the bank and his nephew, to collect the rent on the property. Two weeks before the failure Stinson borrowed a further $10,000 from Glassco to cover withdrawals at the bank.[138] Col. Moore was subjected to harsh criticism by many of the depositors for his failure to take measures to protect the depositors in the last year of the bank's existence.[139]

Stinson appointed a Superior City lawyer, Michael S. Bright, to act as his agent, and pledged that all his western real estate would be used to pay off the 809 depositors. Bright prepared a statement, deemed most unsatisfactory by the American creditors and lawyers for the Hamilton depositors, which listed Stinson's real estate holdings in St. Paul, Minneapolis, Superior and Hamilton, and 4,500 acres of farmland in Minnesota. He suggested the value of the property totalled over six million, against mortgages of $330,000.[140] Michael Bright succeeded in having himself appointed as receiver for the estate on 20 February 1900. Stinson filed for insolvency in a Chicago court on February 17, after he was unable to pay a $5,000 note to his brother-in-law, Charles M. Counsell.[141] Stinson's liabilities were now listed at $800,000, and no value was placed on the real estate. The claims of the Hamilton depositors received no priority in the American courts.

Each revelation concerning the Stinson Bank added to the despair of the depositors. By April of 1900 many of them had identified themselves publicly, and they had formed an organization. Soon the depositors commenced an unsuccessful effort to have James Stinson extradited and tried for fraud. One depositor revealed that he had deposited his entire life savings of $7,600 only two days before the failure, and had the signed receipt of James Stinson for it.[142] Two years after the failure virtually no progress had been made in settling the Stinson estate–only $15,000 of assets had been realized, and all the proceeds had been used in administration. James Stinson, meanwhile, continued to live on one of his farms with the consent of the receiver. He died in 1917, at the age of 89.[143] The loss by depositors in Stinson's Bank was the largest in the history of Ontario's private banks.

A number of the Stinson's Bank depositors were reluctant to come forward; consequently, it is impossible to describe them as a group. The figures of $280,000 in deposits and 809 depositors at the time of closing gives an average account of $346. This is comparable to other private banks of the time, though the existence of large accounts could make this average misleading. It was reported after the failure that there were several very large depositors.[144] The vast majority of depositors had only small sums in the bank, and seem to have come from the city's working families.

The Stinson family provides an excellent example of the overlapping economic, social and kinship networks that characterized the small and close-knit elite of nineteenth-century Ontario. James Stinson had six brothers and two sisters.[145] One brother died in infancy. Four others passed away in their youth: Ebenezer (1827-1855), Thomas B. (1836-1856), Francis (1838-1860), and Henry (1848-1877). In a rather gothic incident, Francis shot himself to death after a violent argument with his father. John Stinson (1829-1865) married Emma Counsell; he died at the age of 36 and his widow later married Col. William McGiverin, Hamilton's major hardware dealer and the president of the Wellington, Grey and Bruce Railway. John's son, Thomas H. Stinson, who helped administer the family fortune after he became a lawyer, was married to the niece of Adam Hope, another Hamilton nabob and vice-president of the Canadian Bank of Commerce. John Stinson's granddaughter, Lillian, was the wife of Sir Adam Beck.

One of James Stinson's two sisters, Jane (1834-1899) married Peter Wintermute, an American who afterward went to St. Paul to look after the Stinson interests there. In 1871 he established his own private bank at Yankton, capital of the Dakota Territory. Two years later he shot and killed the secretary of the territory at a boisterous political meeting. He was acquitted of murder in 1875 after three trials. The episode did not harm unduly the family reputation: Wintermute's daughter, Anna, married Frank Lane, Woodrow Wilson's Secretary of the Interior.[146] James Stinson's other sister, Mary, married Stephen Jarvis, son of Sheriff Jarvis of Toronto. Their son, Stinson Jarvis, was a popular novelist and magazine writer in the 1890s, though he is now a forgotten literary figure.[147]

Stinson's Bank ceased to be a vital component of Hamilton's financial community in the 1870s, when other institutions eclipsed it by attracting larger amounts of deposit money. Nevertheless, it displayed resiliency up to the time of its demise. Its deposit ledger total of $280,000 paled in comparison to other Hamilton banking offices of 1900. The Hamilton Provident and Loan Co., for example, held over $3,000,000 in deposits at the time.[148] On the other hand, the deposits of Stinson's Bank placed it near the top of the list of private banking institutions. The 809 depositors showed remarkable confidence in James Stinson, given that periodic rumours of his financial difficulties had circulated in the city for years. H. Carscallen, a lawyer and M.P.P., claimed that he had advised his clients for twelve years to have nothing to do with Stinson's Bank. Several ignored his advice.[149]

The Stinsons, in rising from itinerant peddlers to the pinnacle of Hamilton society in two generations, demonstrate that successful real estate speculators easily acquired the respect and confidence of their community in nineteenth-century Ontario.

Their rise supports Peter Russell's contention that social mobility, when it was slow and steady, could be readily attained in Upper Canada, and particularly so when, as was certainly the case with the Stinsons, the "legitimacy of the social structure itself" was respected.[150] Much of Hamilton's elite closed ranks to protect the Stinsons from rumour and financial embarrassment through the 1890s. At the time of the collapse of the bank, two of Hamilton's papers, the *Herald* and the *Spectator,* minimized the extent of the failure. Only the *Times* criticized Col. Moore and James Stinson from the beginning, and undertook investigative reporting on the failure.

Several other private banking businesses had their origins in the 1850s; all specialized in the scope of their business, and none achieved the longevity or prominence of Stinson's Bank. W.R. Macdonald (1826-1899) came from Scotland to Hamilton by way of the United States. When he was admitted to the bar in 1858, he had already been advertising his services as a stock and money broker for seven years.[151] He hung out his lawyer's shingle, but devoted most of his time to the administration of investment funds, chiefly for British clients, which he "managed with great care and success," according to his obituary.[152] Macdonald also served as a director of the Hamilton Provident and Loan Co. His business continued until his death in 1899, though he did not advertise after the 1850s.

Hamilton, Davis and Co. began operating as bankers and exchange brokers in 1858. Robert J. Hamilton was the step-brother of the founder of the city. Milton Davis became prosperous as the operator of the stage line between Hamilton and Toronto in the years before the Great Western Railway.[153] The firm sold drafts, made exchange transactions, dealt in specie, and handled collections for their customers. There does not appear to have been either a deposit or discounting business.[154] Hamilton, Davis and Co. continued to advertise themselves as bankers until 1865.[155] An associated firm, Moore and Davis, specialized in real estate. Established in 1858, the firm for many years published a monthly advertising sheet for city property. By the 1880s they were the leading real estate firm in the city, brokering mortgage loans, collecting rents for landlords, and buying and selling real estate both on their own account and for clients.[156]

Nelson Mills, scion of one of Hamilton's wealthier families, operated a private banking business from about 1862 until his demise in 1876 as the victim in one of Hamilton's more sensational murders.[157] Though he consistently listed himself in city directories as a banker, Mills actually operated a private lending agency as an adjunct to the family holdings and dealings in real estate. It does not appear that he ever operated from a formal banking office, and he did not regularly advertise his services. Mills was murdered by one of his tenants.

Much less is known of H.N. Titus who operated a banking and collection office in the late 1850s.[158] Titus sold drafts, and granted short term credit on Duncan, Sherman and Co., the major New York banking house. It is possible that Titus acted as the Hamilton agent for Duncan, Sherman and Co., handling the banking for shippers and merchants who were connected to New York by the Erie Canal. Titus also operated a savings office.[159] He does not appear in any city directories after 1858.

The private banking business of John W. Murton (1836-1898) began in 1859. Murton started his career as a clerk in Josias Bray's banking office. Possessing a natural aptitude for commercial work, he learned the business quickly, and opened his own business at the age of 23.[160] Like his former employer, Murton dealt in foreign exchange and handled tickets for various railway and steamship companies.[161] The roots of his later fortune were established during the American civil war, when he acted as the Hamilton agent for Jay Cooke and Co. of New York, selling U.S. government bonds. He claimed to have sold $400,000 of the 5.20% issue alone.[162]

Murton also dealt in bills of exchange on New York and in specie. In 1861 Murton brought his 13 year old nephew, Byron Walker, into the firm as a clerk. Walker would end his banking career over a half century later as Sir Edmund Walker, president of the Canadian Bank of Commerce.[163]

In 1868 Murton entered the coal and wood business as a sideline, and a few months later he sold his banking business to Archibald McKeand, formerly of the private banking firm Willson and McKeand, to concentrate on the burgeoning fuel business. At the time of his death he owned one of the largest coal distributorships in Ontario, but he spent most of his time on activities involving the Masonic Order. He was Sheriff of Wentworth from 1894 until his death in 1898.[164]

Disruption and uncertainty characterized the Hamilton financial scene in the mid and late 1860s. Two additional chartered banks, the Ontario Bank and The Federal Bank had opened in 1864 and 1866 respectively, raising the number of chartered bank offices in the city briefly to seven. On the other side of the ledger, the Bank of Upper Canada and the Commercial Bank closed in 1866 and 1867. The locally-based Gore Bank was in difficulty, reducing its capital and lending portfolio as it stumbled to its end in 1871. The Ontario Bank shut the doors of its Hamilton branch in 1869.[165] The resulting difficulties in securing credit and the dissolution of long-standing banking relationships hurt businesses in Hamilton, and resulted in the loss of trade by local merchants and wholesalers.[166] The situation worked in favour of the new upstart banks, the Merchants, Commerce and Royal Canadian, when they entered Hamilton in 1868 and 1869. The situation also created new opportunities for private bankers.

Among the firms to fill the void was that of Willson and McKeand. F.M. Willson was the former bookkeeper in the dry goods business of McKeand and Brother. In partnership with Archibald McKeand, he established the firm of Willson, McKeand and Co. in 1865 at the corner of King and James Streets, which sold insurance and offered accounting services. They soon began a private lending business in conjunction with their other business. McKeand left the firm in 1867; the following year, he purchased John Murton's banking business. F.M. Willson carried on the firm under his own name, and began dealing in exchange, specie and U.S. government bonds. In 1867 he secured the Hamilton agency for the Inman and Anchor steamship lines.[167] Willson carried on the business until about 1871, when another McKeand, George, joined him.[168] In the early 1870s Willson left Hamilton for Wingham, where he established that town's first private bank. He sold out to the Bank of Hamilton in 1879, and was succeeded by his son as manager of the Wingham branch.[169]

After he purchased the business in 1868, Archibald McKeand continued to operate John Murton's banking office for three years. In 1871 he assigned his assets for the benefit of his creditors, amid what the financial press called "rumours of discreditable conduct."[170] Archibald McKeand survived his financial difficulties and continued in business, but only as a ticket and shipping agent. After an interval in Chicago, George McKeand returned to Hamilton to take over the business, which he continued, dealing mostly in insurance, until his death in 1907.[171] He reopened the office after surviving an assignment to his creditors in 1893.[172]

The sale of Murton's banking office in 1868 forced one of his employees to strike out on his own. Charles E. Morgan worked as a clerk in the Bank of Montreal when he was hired by John Murton in 1862. During the next six years Morgan spent most of his time with the ticket agency part of the business. When he established his own office he handled exchange and specie transactions as a convenience to travellers and shippers.[173] By 1880 he had established a second office at 64 Yonge Street in Toronto.[174] Morgan was the Hamilton agent for the popular Thomas Cook tourist system.[175] Unlike the other private bankers who later became ticket and shipping agents, Morgan continued to handle a considerable amount of banking business, dealing in drafts, exchange and specie.[176]

Charles T. Jones was another of the private bankers who ended his career as a ticket and shipping agent. Jones began as a salesman for R. Juson and Co., a wholesale hardware dealer.[177] About 1868 he formed the banking firm of Charles T. Jones and Co. He secured the Hamilton agencies of the prestigious Cunard, White Star and Pacific Mail lines. He ceased calling himself a banker after 1872, concentrating instead on the ticket agency and shipping business.[178] Jones did not enjoy spectacular success: his net worth in 1880 was estimated at less than $25,000, only a modest increase over his rating in 1869, and below the net worth of most of the small-town private bankers of 1880.[179]

Two former chartered bankers constituted the firm of Taylor and Minty, which opened its doors in 1869 at the corner of King and James Streets, the centre of the Hamilton financial district. George Taylor (1813-1894) had become the manager of the Hamilton branch of the Bank of British North America in 1853. When the head office discovered in 1867 that he had granted loans to the secretary of the Hamilton Board of Trade on the security of fictitious warehouse receipts, he was forced to resign.[180] Francis Minty forsook a promising career with the Hamilton branch of the Bank of Montreal, where he was teller, to form the partnership with Taylor. In the interval between his resignation and the formation of the partnership, Taylor had been secretary of the provisional board of the stillborn Bank of Agriculture.[181] He also served, with private banker F.M. Willson, on a three-man committee of investigation into the affairs of the Gore Bank that led to the resignation of its cashier in 1868.[182]

Of the Hamilton private banks, Taylor and Minty was the only firm to provide a full-service banking operation. They allowed interest on deposits, dealt in specie, gave loans, and sold drafts. In their previous employment the two partners had established superb relationships with correspondent banks, including Duncan, Sherman and Co. in New York and Baring Bros. in London.

Taylor and Minty probably had a close relationship with one of the Canadian chartered banks, particularly as a source of initial capital, though their application for a $20,000 line of credit was turned down by the directors of the Merchants Bank in 1870.[183] In addition to their banking activities, Taylor and Minty also sold insurance and stocks, and handled and financed commodity shipments to the United States.[184]

Unlike other Hamilton private bankers, Taylor and Minty became involved in industry, particularly as major shareholders in the Appleton Sewing Machine Co. When that firm encountered financial difficulties in 1874, Taylor and Minty were forced to assign their assets for the benefit of their creditors.[185] The firm seems to have had the sympathy of the financial community: Taylor had been appointed to the board of directors of the Bank of Commerce in 1871, and he retained his seat through his crisis, holding it until his death. He served also a director of the Ontario Loan and Investment Co.[186] After the failure, George Taylor acted as an agent and financial correspondent for out-of-town investors. He retired about 1890, and died in 1894.[187] Francis Minty appears to have left the banking profession after 1874.

At least two other private banking firms appeared in Hamilton in the late 1860s, but neither is of major significance in the financial history of the city. A J. Steinger is listed in the 1868 directory, then disappears from the historical record. The Banking and Exchange Office of Lee and Co. is of more interest, if only for its place in the career of Sir Edmund Walker. Early in 1867, George Lee, a somewhat footloose entrepreneur and speculator, approached young Byron Walker to manage a new banking and exchange office he was proposing to open in Hamilton, for the purpose of "buying and selling American currency."[188] Lee had been impressed with

Walker's ability in the office of his uncle, John Murton. The new firm of Lee and Co. opened in June of 1867, with an office on King Street.[189] Lee provided the capital and Walker managed the office for half the profits. Late in 1867 Lee opened a Montreal office, and Walker went there to manage it.[190] Lee closed the business in June, 1868, when profits did not meet his expectations.[191] A few weeks later Walker joined the Hamilton branch of the Bank of Commerce.

Two Hamilton private bankers established their businesses after the flurry of new firms in the late 1860s. Both had deep roots in the city's banking community. Hugh C. Baker Jr. grew up in a banking family. His father and namesake had been with the Bank of the People in Toronto in the 1840 era, and after the Bank of Montreal took over that institution, he was sent to Hamilton as manager of the new Bank of Montreal branch. The senior Baker remained manager for seven years, provided the leading light in the founding of the Canada Life Assurance Co., and helped establish three building societies before his death in 1859.[192]

The younger Baker studied law in his late teens, but switched to banking after a couple of years, working as a clerk for the Gore Bank. When the demise of the Gore Bank in 1871 cut short his career as a chartered banker, he established his own business under the style of Baker and Herbert, in partnership with H.C. Herbert. They advertised themselves as bankers and stock brokers, and offered a range of bank, building society and mining stocks, plus municipal debentures and American railway bonds.[193] Both Baker and Herbert were among the group that founded the Hamilton Street Railway in 1873.[194] Baker also carried on a sizeable private lending business. He had inherited considerable wealth: his father had done well in his 16 years in Hamilton. Though he liked to characterize himself as a banker, Hugh Baker Jr. is best remembered for his role in founding Hamilton's telephone company in 1878, and for incorporating the Bell Telephone Company of Canada. He later served as the Ontario manager for Bell Telephone.[195] Baker used his private bank to facilitate investments in other ventures.

Charles M. Counsell, James Stinson's brother-in-law, was the last of Hamilton's private bankers to open an office. The son of a Gore Bank director, Counsell received his early commercial training with the wholesale dry goods firm of Kennedy, Parker and Co. in the late 1850s.[196] After his sister married John Stinson, he moved to Stinson's Bank as clerk and then teller, succeeding his brother-in-law as manager in 1865. In 1876 he was asked by C.R. Murray, the general manager of the newly-established Exchange Bank, to be the manager of the Hamilton branch. Murray's own career as a Hamilton banker went back 20 years: he had worked as the discount clerk and then accountant at the Gore Bank, and became manager of the Bank of Commerce when it opened in Hamilton in 1868. The collapse of the Exchange Bank in 1882 necessitated a career change for Counsell. Over the years he had invested his savings in Hamilton real estate, no doubt with assistance from the Stinsons, and by 1882 had sufficient capital to start a private bank. Counsell handled stocks and bonds, and for a while operated under the style of Counsell, Glassco and Co. This was still a family business – John T. Glassco had married John Stinson's cousin, and his brother Frank Glassco was the husband of Counsell's daughter, Marion.[197] In addition to the brokerage business, Counsell carried on significant banking operations, buying and selling mortgages, providing short-term credit, and operating current accounts in the 1880s. He does not seem to have competed for savings account business or for foreign exchange.[198]

When Counsell died in 1900 he left an estate valued at over $156,000.[199] Of this, $49,800 was in outstanding promissory notes and $37,200 was in mortgages. His real estate holdings totalled over $45,000, which included commercial property in downtown Hamilton, Manitoba farm land, and his dwelling, valued at $11,500.

Figure 3.3

Private Bank Owners and Managers, Hamilton, Ontario

banker	period as banker	other business activity: earlier	concurrent	later
Josias Bray	1845-1865	?	*none*	ticket agt.
Thomas Stinson	1847-1864	merchant	real estate	real estate
John Stinson	1864-1865	private bank clerk	*none*	*none*
James Stinson	1864-1900	*none*	real estate	real estate
C.M. Counsell	1865-1876	private bank teller	broker, real estate	bank mgr.; stock brkr.
W.R. Macdonald	1852-1899	*none*	lawyer	
H.N. Titus	c1857-c1859	?	*none*	
Milton Davis	1858-c1865	stagecoach line	?	
R.J. Hamilton	1858-c1865	real estate	real estate	
John Murton	1859-1868	private bank clerk	ticket agent	coal dealer
Nelson Mills	c1862-1876	*none*	lawyer	
F.M. Willson	1865-c1871	bookkeeper	insurance	private banker
Arch. McKeand	1865-1871	dry goods	ticket agent	ticket agent
Lee and Co.	c1867	?	*none*	?
C.E. Morgan	1868-c1885	private bank clerk	ticket agent	
C.T. Jones	1868-1872	salesman	ticket agent	shipping agent
George Taylor	1869-1874	bank manager	insurance, stocks	financial agent
Francis Minty	1869-1874	chart. bank teller	insurance, stocks	?
J. Steinger	c1868	?	*none*	?
H.C. Baker jr.	1873-	chart. bank clerk	financier	mgr., Bell Telephone
J.T. Glassco	c1885	?	stock broker	stock broker
A.H. Moore	c1892-1900	?	*none*	?

[Sources: *Monetary Times;* Hamilton City Directories for 1862, 1868, 1872, and 1880; Dun and Wiman *Mercantile Reference Books,* 1869 to 1900.]

Counsell trained his sons in the banking business. Two became career bankers, one a lawyer, and a fourth left the Imperial Bank to found R.R. Counsell and Co., a Winnipeg brokerage firm.[200]

The handful of specialized private banking operations in Hamilton between 1845 and 1900 filled niches in the financial sector of the city, or functioned in an ancillary way to other business activities of their proprietors. The only exception to this generalization was the firm of Taylor and Minty, which provided a full range of banking and other financial services, but which operated only from 1869 to 1874. The majority of Hamilton's private bankers involved themselves in real estate (Stinson, Counsell, Mills), insurance (Bray, Willson) or transportation (McKeand, Morgan, Jones) during or after their activity in banking. Only a minority had their roots in the banking community. Of the 22 men who served as managers or proprietors of private banks, three began their careers in private banks and four in chartered banks.

For the bankers who also acted as ticket agents, their banking services were provided only as a matter of convenience to themselves and their customers, and were abandoned when the chartered banks could offer these services more efficiently. By the 1880s, Charles Morgan remained the only Hamilton ticket and travel agent to engage in substantial banking activity.

Real estate profits provided the initial capital for Stinson's Bank, and the bank sustained the later real estate investments of the Stinson family. This firm had the highest public profile of any of the Hamilton private banks through its savings department. The other bankers with large holdings of real estate, C.M. Counsell, Nelson Mills and Hugh Baker, conducted their lending business in a discrete manner. They probably took advantage of market trends to move between private lending and real estate holdings to maximize their returns. In this respect they resembled some of the earlier developers of Hamilton such as Thomas Stinson and Robert Hamilton.

Significantly, the city's largest real estate agency, Moore, Davis and Co., abandoned banking activity at an early point in its life, making its profit largely on commissions.

Stinson's Bank ranks as the dominant private banking institution of Hamilton. It survived the longest, 53 years. Through marriage the family was connected with three other families important to Hamilton's private banking sector: Glassco, Moore and Counsell. The desire to keep the operation of the bank close to the family was a factor in its downfall, and a brake on its expansion. Stinson's Bank was one of the larger financial institutions of Hamilton in the 1850s and 1860s, but quickly lost its place when the chartered banks, led by the Bank of Commerce, the Bank of Hamilton and the Merchants Bank, and the local loan companies, the Hamilton Provident and Loan Society and the Landed Building and Loan Co., began their aggressive competition for savings deposits after 1868.[201] The Stinsons never trusted outside managers, and after the death of Thomas H. Stinson in 1892 there was no one in the Hamilton branch of the family to supervise the bank properly.

In the years after 1873, Hugh Baker became the dominant figure in Hamilton private banking. His lending and brokerage business put him in constant contact with the monied men of the city, and allowed him to broker new business undertakings – putting together both financing and men. The Hamilton Street Railway and the telephone company are only two of the ventures that centred on the office of Baker and Herbert.

Cemented partially by connections of marriage and business partnership, the Hamilton private bankers formed a distinctive sector of the city's financial community, and one quite separate from the group which dominated Hamilton's two chartered banks, the Gore Bank and the Bank of Hamilton. In general, the men in the latter group possessed greater financial means and headed business ventures that led the city's growth and expansion, in wholesale trading (McInnes, McGiverin, Harvey), manufacturing (Copp, Gurney), and railway contracting (Hendrie).[202] The private banking group operated at a secondary level, and, other than the Bakers, did not succeed in breaking into the ranks of Hamilton's first order of capitalists.

With the exception of F.M. Willson, who left Hamilton in the early 1870s to establish a private bank in Wingham, there were no connections between the Hamilton private bankers and those of Ontario's small towns and villages. The Hamilton private banks were specialized institutions in a market already dominated by chartered banks. In contrast, the small town private bankers were full-service financial offices, and often the only banking facility in their towns.

d. The Significance of the Urban Private Bankers

Though the urban private bankers filled important niches in the financial sectors of Ontario's largest centres, none served a role vital to the overall functioning of the banking system. In the context of the larger Canadian financial system, a portion of the urban private bankers acted as precursors in establishing bond and brokerage markets. Until fairly late in the nineteenth century, the Canadian stock market did not expand to a size sufficient to support a system of full-time stockbrokers. The early stock trading activities took place within larger financial businesses that typically involved at least some general banking functions. Private banking adapted itself to suit particular needs in each community. Brokerage business predominated in Toronto. Ticket agencies combined with exchange offices prospered in Hamilton, offering a broader range of services than the chartered banks could provide to the commercial sector there. Exchange business also supported private banking in St. Catharines, a city dependent to some extent upon cross-border commerce. Currency and specie speculation comprised accounted for some of the exchange offices in the late 1860s, such as Lee and Co. of Hamilton, and many of the others seem to have mixed speculation with more legitimate banking business during the period of financial instability in the United States during and after the Civil War. Kingston's private bankers moved away from foreign exchange business when cross-border commerce declined in relative importance there, and private bankers enjoyed a renaissance there in the 1890s, based on farmers' business, that had no parallel in any other city.

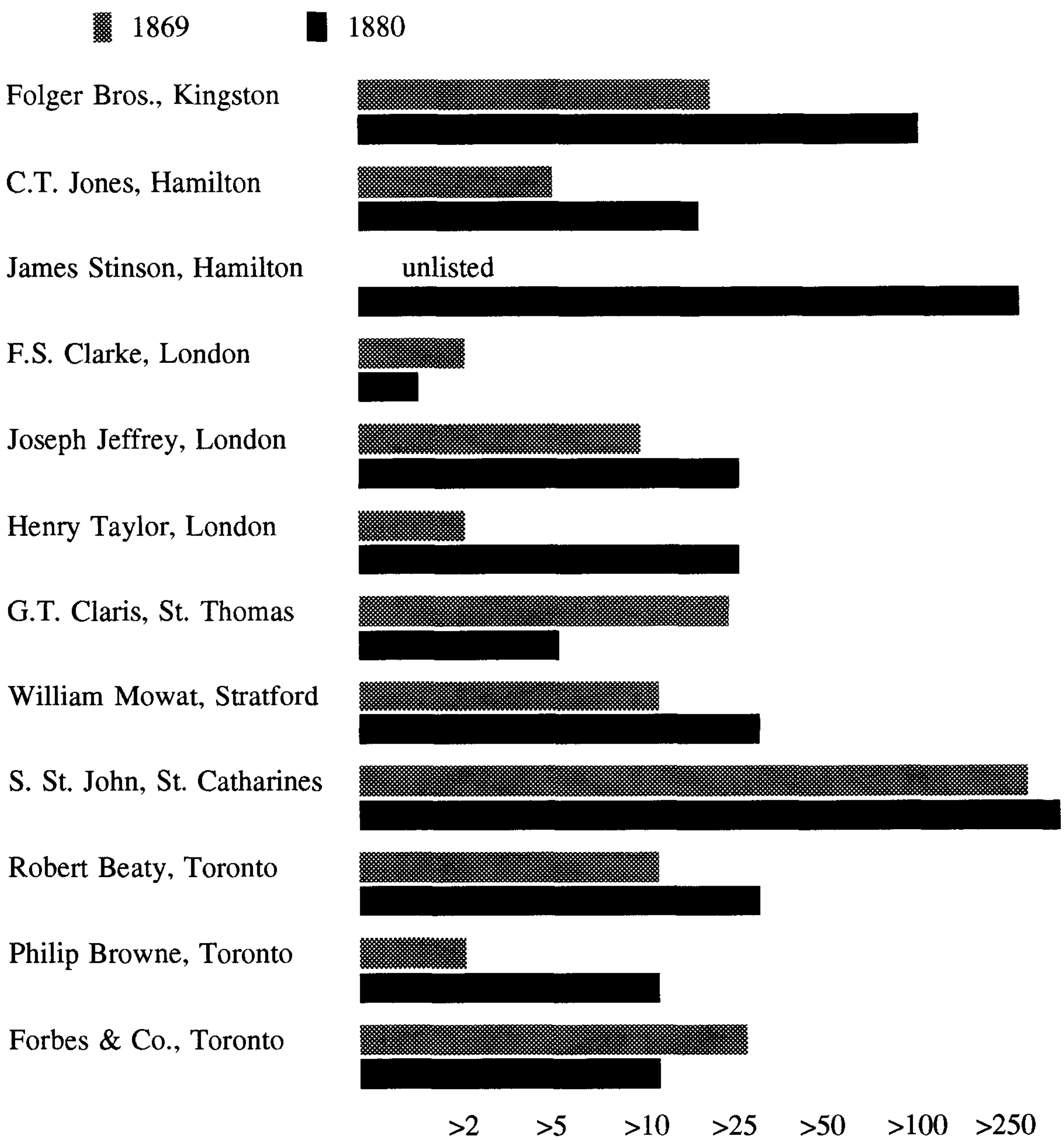
The relatively inefficient and awkward funds transfer and payment systems of the mid-nineteenth century prompted ticket agents in larger centres to engage in private banking. The same circumstances led banking firms active in foreign exchange business to accept the local agencies of railway and steamship companies. Payment for transatlantic transportation on most of the popular lines had to be made in American funds or sterling. Bankers already active in the foreign exchange business found a lucrative sideline by taking on the agency of one or more steamship companies, and perhaps of some American railway lines. For similar reasons, a few urban private bankers expanded into the express and shipping businesses, serving as local agents, and handling and remitting payments. As the chartered banks achieved greater internal efficiencies and set up extensive branch systems, they reclaimed the banking functions associated with the ticket, express and shipping businesses. Even so, the express companies continued to operate successful money order and C.O.D. services. In the United States, with its less efficient payments system, populist politicians and hinterland businessmen perceived the express companies as a threat to local and small-town bankers well into the twentieth century.[203]

The disruptions caused by the failures of the Upper Canada, Commercial and Gore Banks, and the retreat of the Bank of Montreal in the late 1860s, benefitted the private bankers in all cities by increasing their business opportunities. These consequences were felt more dramatically in some cities than others. Hamilton's

Figure 3.4

Increase in Estimates of Net Worth of Private Bankers,
Ontario Cities and Larger Towns, 1869 - 1880

(Thousands of dollars)



[From Dun, Wiman and Co., *Mercantile Reference Book,* Jan. 1869; Jan. 1880] economy suffered the most, and its banking sector did not stabilize until the Commerce, Merchants and Hamilton Banks consolidated their positions in the city in mid-1870s. The banking dislocations of the late 1860s affected London to a much lesser extent than Hamilton; the stable and conservative Bank of British North America conducted the largest banking business by far in the Forest City in the 1870 period. During these years of turmoil in the banking community, individual bankers moved from chartered banks to private banking and vice versa in all cities. At the same time, few connections of any sort were forged between the small-town private bankers and their urban counterparts.

In a few cases, private bankers produced idiosyncratic institutions that existed in spite of any demonstrable need for them. Stinson's Bank in Hamilton was one; Henry Taylor's Bank, which developed into the disastrous Bank of London, was another. In part, the formation of the Bank of London in 1883 resulted from the desire of local men to have their own bank that would be at the centre of a strong, relatively autonomous regional economy. Hinterland businessmen had been attracted to this idea decades earlier. The 'free banking' movement of the 1850s had been one consequence, but by the 1880s the concept of a relatively small, regionally-based banking institution had been rendered untenable by the competitive dominance of the existing chartered banks, which spread their shareholders and their loan risks over a wide geographic area. None of the banks based outside Toronto enjoyed long term success. Kingston's Commercial Bank expired in 1867, the Gore in Hamilton four years later, the Imperial Bank absorbed the stagnant Niagara District Bank of St. Catharines in 1875, and the head office of the Ontario Bank moved from Bowmanville to Toronto in the same year.[204] By this time it had become impossible to operate a large-scale banking enterprise outside the financial centre of the province. As well, there were great dangers in having a banking institution dominated by a man such as

Henry Taylor, whose interests as a borrower conflicted with his duties as an administrator.

After 1880, the urban private bankers engaged in fewer banking functions, becoming financial offices specializing in single functions: brokerage, insurance, travel, mortgage lending, investment counselling. The few exceptions to this generalization, Stinson in Hamilton, and Folger Bros. and Mills and Cunningham of Kingston, who carried on significant banking activity until late in the century, prove the strength of the argument. The increasing skill and ability of the chartered banks in administrating their branch systems, along with increasing internal efficiencies, provided competition in most cities that few private bankers could meet. Those that survived did so in their own niche. It is difficult to believe that any of them had a real impact on their local economies or on the development of their cities.

By a strict definition of the term `bank,' (that is, financial offices offering a full range of deposit, lending, and funds transfer services to the general public), the urban private bankers do not belong on the list. Historians unfamiliar with the nature of their business still include them in their discussions of private banking, undoubtedly due to the less than rigorous definitions of the nineteenth century and the somewhat arbitrary categories used by compilers of directories.

Their characteristics of urban private banking businesses differ sharply from those of the small-town private bankers. The foregoing discussion of urban private bankers, although a Lawrence Sterne-like digression in length and detail, indicates that the urban private banking differed substantially from small-town private banking, and that the two should not be confused in discussions of the nineteenth century Ontario economy.

REFERENCES FOR CHAPTER III

[1]Based on listings in city directories and provincial directories.

[2]Lovell's *Canadian Directory, 1857.*

[3]*Canada Directory, 1864.*

[4]*London Free Press,* 4 Oct. 1870; *Huron County Directory, 1901.*

[5]*History of the County of Middlesex,* (London, 1889), p. 1020.

[6]W.N. Clarke and J.G. Esler, "The Bank of London, in Canada." Undated ms., Regional Room, University of Western Ontario.

[7]Letterhead, Taylor's Bank, 10 Mar. 1874. Private bank collection, Currency Museum, Bank of Canada, Ottawa.

[8]*Monetary Times,* 4 Jan. 1874. Taylor's Bank was owed $6,700 by Jay Cook at the time of Cook's failure late in 1873. It is likely that Taylor also served as the London agent for Cook's dealings in stocks, debentures and U.S. government bonds.

[9]D.W. Shales, "The Bank of London in Canada." Unpublished ms., 1936, Regional Room, University of Western Ontario.

[10]Details of the history of the Bank of London are drawn from Clarke and Esler, "The Bank of London," and Shales, "The Bank of London." The formal title of this bank was `The Bank of London, in Canada.' It should not be confused with `The Bank of London,' chartered in 1866, and merged before it commenced with the Canadian Bank of Commerce , or with `The London and Canada Bank' of 1874, whose charter was forfeited. See Victor Ross, *The History of the Canadian Bank of Commerce,* II (Toronto, 1922), pp. 20-21.

[11]*London Advertiser,* 23 Aug. 1887.

[12]Quoted by Clarke and Esler, "The Bank of London."

[13]A.B. Jamieson, *Chartered Banking in Canada,* (Toronto, 1953), p. 370.

[14]Watford *Guide Advocate,* 5 Sept. 1890.

[15]London *Weekly Advertiser,* 28 Jan. 1869.

[16]London *Weekly Advertiser,* 14 Oct. 1870.

[17]Dun, Wiman And Co., *Mercantile Reference Book,* Jan. 1869.

[18]*Monetary Times,* 28 Oct. 1870.

[19]Dun, Wiman and Co., *Mercantile Reference Book,* Jan. 1880. At this time Jeffery merited the same rating as Henry Taylor in net worth and credit risk.

[20]*Great Western Railway Directory, 1874;* London *Western Advertiser,* 1 Jan. 1881; Dun, Wiman And Co., *Mercantile Reference Book,* Jan. 1869; Jan. 1880.

[21]*Huron County Directory, 1901.*

[22]The Mahon and Fawcett failures and its effects are discussed at length in Chap. IV, *supra.*

[23]Ted Leitch, "Fawcett Banking Network," *Transactions of the Canadian Numismatic Research Society,* 26 (1990), p. 33.

[24]John McCallum, *Unequal Beginnings* (Toronto, 1980), pp. 67-8.

[25]These were the Bank of Upper Canada (opened 1823), the Commercial Bank head office (1832), the Bank of Montreal (1839), and the Bank of British North America (c1846).

[26]*Canada Directory, 1857,* p. 1023. The Commercial Bank dealt with Luther Wright's Bank in Oswego, the New York State Bank in Albany, and the Merchants Banks of New York and Boston.

[27]*Canada Directory, 1857-8.* The chartered banks were not permitted to accept warehouse receipts as security until the "Act Granting Additional Facilities in Commercial Transactions" of 1859, which followed from a legislative investigation into general banking practices. The well-known sections 86-90 of the Bank Act later expanded these provisions. See Merrill Denison, *Canada's First Bank,* II (Toronto, 1967), p. 92.

[28]*Canada Directory, 1864.*

[29]*Kingston City Directory, 1866.*

[30]Figures are from city directories for the respective years.

[31]*Kingston City Directory, 1899.*

[32]*Monetary Times,* 8 July 1881.

[33]*Kingston City Directory, 1890; 1900.* The grocery business was known as Carruthers Brothers until about 1885. Their first private banking office, in 1890, was in modest quarters over a drug store.

[34]*Monetary Times,* 6 Dec. 1872.

[35]*Monetary Times,* 4 Oct. 1895.

[36]*Kingston City Directory, 1915.*

[37]Kingston *British Daily Whig,* 6 July 1900; *Kingston City §Directory, 1900.*

[38]*Kingston City Directory, 1915; 1935.*

[39]Ian Drummond, *Progress Without Planning* (Toronto, 1987), p. 15; 323.

[40]These were the Bank of Upper Canada head office (1822), the Commercial Bank (1833), the Gore Bank (1836), the Bank of British North America (1837), the Bank of Montreal (1839), and the City Bank (c1846).

[41]*Supplement to the Canada Directory, 1853.*

[42]Peter Baskerville, *The Bank of Upper Canada* (Toronto, 1987), p. 145.

[43]*Canada Directory, 1857.*

[44]*Canada Directory, 1857-58.* The directory carried the claim that it was corrected to Nov., 1857.

[45]Instigated by local businessmen, the Bank of Brantford received its charter in 1857. Grossly under-capitalized, it devoted considerable energy to the circulation of its finely-engraved banknotes in the United States in order to buoy its working capital. Proofs of an issue of Bank of Brantford banknotes payable at Sault Ste. Marie were discovered in the 1950s. I am indebted to Mr Graham Esler, Curator of the Bank of Canada Currency Museum, for this information. See also Adam Shortt, *History of Canadian Currency and Banking, 1660-1880* (Toronto, 1986), pp. 628-629.

[46]Victor Ross, *History of the Bank of Commerce,* I, pp. 241-2.

[47]*Monetary Times,* 30 Apr. 1875.

[48]*Monetary Times,* 21 July 1876.

[49]Robert MacIntosh, *Different Drummers: Banking and Politics in Canada* (Toronto, 1991), p. 52. Pellatt had been a long time banker, serving as teller with the Bank of Upper Canada in Kingston in the late 1850s. *Kingston City Directory, 1857.*

[50]A.L. St. Trigge, *History of the Canadian Bank of Commerce,* III, p. 85; Tom Naylor, *The History of Canadian Business, 1867-1914,* I, p. 210; *Monetary Times,* 16 June 1882.

[51]See Ian Drummond, *Progress Without Planning* (Toronto, 1987), p. 323. The Toronto Stock Exchange was formed in 1852, but did not become active until its incorporation in 1878. Further specialization in the brokerage industry occurred with the emergence of bond dealers, beginning with A.E. Ames in 1889.

[52]A lively summary of the Pellatts activities and the Home Bank disaster is provided by Robert MacIntosh, *Different Drummers,* pp. 51-64.

[53]*Monetary Times,* 4 Feb. 1881.

[54]*Monetary Times,* 5 Mar. 1868.

[55]*Monetary Times,* 29 Oct. 1868.

[56]Victor Ross, *History of the Canadian Bank of Commerce,* I, p.234.

[57]*Monetary Times,* 4 Dec. 1874. Most American commercial banks did not deal in foreign exchange at this time. This business was concentrated in the hands of several New York private banking houses who had strong ties to European houses: Brown Brothers and August Belmont with the Rothchilds; Morton Bliss with Morton Rose of London; Duncan, Sherman and Co. with Baring Brothers; and Drexel Morgan with Junius Morgan. The largest foreign exchange business in New York was done by the Bank of Montreal's New York agency.

[58]This kiting operation was the subject of a notorious civil court case. See *Monetary Times,* 28 Sept. 1878.

[59]*Monetary Times,* 4 Oct. 1878. The assignees for the firm were David Fisher, general manager of the Ontario Bank; Thomas McCracken, assistant general manager of the Consolidated Bank and former general manager of the Royal Canadian Bank, and J.L. Scarth, a veteran Toronto banker who at the time managed the Quebec Bank's Toronto branch. The creditors settled for about 10 cents on the dollar.

[60]*York County Atlas, 1878.* R.S. Cassels (1820-1895) had served the Bank of Upper Canada as manager at Quebec and Ottawa, and was president of the Union Forwarding and Shipping Co. of Ottawa in the early 1870s. *Monetary Times,* 1 Jan. 1896.

[61]*Monetary Times,* 2 Jan. 1874. Cook's largest Canadian creditor was Molson's Bank head office, with claims exceeding $100,000. Four of its Ontario branches also dealt directly with Cook in New York. *Monetary Times,* 2 Jan. 1874. Cook's largest

Canadian creditor was Molson's Bank head office, with claims exceeding $100,000. Four of its Ontario branches also dealt directly with Cook in New York.

[62]This list is based upon directory listings and advertisements for the firms. As no financial records for them survive, it is impossible to determine the exact makeup of their business.

[63]*Canada Directory, 1851.*

[64]*Canada Directory, 1857.*

[65]Stephen Sawden, *History of Dufferin County* (n.p., n.d.), p. 65.

[66]*Monetary Times,* 22 Sept. 1871. In the early twentieth century the Winnipeg private banking firm of Alloway and Champion made a profitable specialty of providing banking services to immigrants. This firm was purchased by the Canadian Bank of Commerce in 1919. See Trigge, *History of the Canadian Bank of Commerce,* III, pp. 10-11.

[67]*Canada Directory, 1864.*

[68]*Monetary Times,* 21 July 1876.

[69]*Canada Directory, 1857,* p. 846.

[70]*Monetary Times,* 25 Feb. 1869. Erie Railroad stock was manipulated by Jay Gould in a fight with Daniel Drew which culminated in the fall of 1868. Jay Gould's famous attempt to corner the gold market did not occur until later in 1869. Brown's losses resulted in gold speculation in 1868. See Julius Grodinsky, *Jay Gould, 1835-1893* (Philadelphia, 1957.)

[71]*Monetary Times,* 11 Mar. 1869.

[72]Dun, Wiman and Co., *Mercantile Reference Book,* 1869. Brown's Bank received the same high rating in 1868; in 1864 it was rated slightly below the banking firm of W.B. Phipps & Co. These ratings were probably based on information supplied by Brown's bankers, Molson's and the Royal Canadian.

[73]For example, St. Catharines *Constitution,* 30 Apr. 1868.

[74]In 1869 the city had the head office of the Niagara District Bank and branches of the Montreal, Commerce, Quebec and Royal Canadian Banks.

[75]Samuel St. John Papers, St. Catharines Historical Museum.

[76]Samuel St. John Diary, 5 Feb. 1849, St. Catharines Historical Museum. The diary covers the years 1848 and 1849.

[77]St. John Diary. St. John recorded details of some of his buying trips in this document.

[78]St. Catharines *Constitutional,* 9 Feb. 1860; *St. Catharines Daily Times* 20 Dec. 1869.

[79]*St. Catharines Directory, 1875; Lincoln and Welland Counties Directory, 1879.*

[80]Dun, Wiman and Co., *Mercantile Reference Book,* 1869. Stinson's Bank was unrated by Dun in 1869.

[81]"Statement of Banks to the Auditor of Public Accounts," 31 Jan. 1869, *Monetary Times,* 11 Mar. 1869.

[82]*Monetary Times,* 16 Apr. 1875.

[83]Dun, Wiman and Co., *Mercantile Reference Book,* 1869. Haynes's business at this time was listed by Dun's as "grocer and exchange."

[84]See, for example, St.Catharines *Times Journal,* 4 Sept. 1871.

[85]*Monetary Times,* 4 Jan. 1874.

[86]See advertisements in St. Catharines *Daily Times,* 31 Dec. 1869; *Daily News* 5 June 1888; *Evening Star,* 31 Aug. 1897.

[87]Collard Family File, St. Catharines Historical Museum.

[88]*St. Catharines Directory, 1893.*

[89]*St. Catharines Directory, 1895.*

[90]*Canada Directory, 1864; Ontario Directory, 1869.*

[91]Victor Ross, *History of the Canadian Bank of Commerce,* I, pp. 179-81.

[92]*Statutes of the Province of Canada, 1841,* c.98.

[93]*Hamilton Spectator,* 21 Jan. 1950.

[94]*Hamilton Spectator,* 19 Oct. 1918.

[95]A.B. Jamieson, *Chartered Banking in Canada,* p. 6.

[96]*County of Wentworth and Hamilton City Directory for 1865-66,* p. 48.

[97]Walkerton *Bruce Herald,* 14 Aug. 1902.

[98]*City of Hamilton Directory, 1858,* p. 76.

[99]*Canada Directory, 1864.*

[100]*Ontario Directory, 1871.*

[101]Victor Ross, *History of the Canadian Bank of Commerce,* I, pp. 220-1.

[102]Dictionary of Hamilton Biography (Hamilton: 1983), p. 12.

[103]Victor Ross, *History of the Canadian Bank of Commerce,* I, pp. 220-21.

[104]*Hamilton Gazette,* 22 Feb. 1855.

[105]Victor Ross, *History of the Canadian Bank of Commerce,* I, pp. 222.

[106]*Canada Directory, 1857,* p. 1025. The Hamilton and Gore conducted its banking through the Bank of Montreal after the Canada Life takeover; this is perhaps a reflection of Hugh Baker's close association with both organizations.

[107]Biographical details of the Stinson Family can be found in T.Roy Woodhouse, *The History of the Town of Dundas,* pt. 3 (Dundas, 1968), p. 8; Lillian M. Shaw, "The Stinson Family of Hamilton," *Wentworth Bygones,* 7 (1967), pp. 42-45; Jeffrey Wollock, "Glimpses at a Hamilton Family," *Ontario History,* 64 (1972), pp 105-115; Jeffrey Wollock, "Stinson Jarvis: A Bio-bibliography," *Papers of the Bibliographical Society of Canada,* 8 (1969), pp. 23-60. Lillian Shaw gives the date of Stinson's move to Dundas as 1830 and his move to Hamilton as 1839.

[108]T. Roy Woodhouse, *The History of the Town of Dundas,* pt. 3, p. 8. Other sources gloss over the humble origins of the Stinson family.

[109]The most complete personal portrait of Thomas Stinson is provided in a short unpublished memoir by his daughter, Mary Stinson Jarvis (d. 1916), a typescript of which is in Special Collections, Hamilton Public Library. See also *Dictionary of Hamilton Biography,* p. 189.

[110]Mary Stinson Jarvis, unpublished memoir, Hamilton Public Library.

[111]*City of Hamilton Directory, 1862.*

[112]Quoted by *Hamilton Spectator,* 15 July 1926.

[113]"Butler's Saturday Musings," *Hamilton Spectator,* Scrapbook 3, p. 161, Special Collections, Hamilton Public Library.

[114]T. Roy Woodhouse, *The History of the Town of Dundas,* pt. 3, p. 8, states that Stinson paid 5% on regular deposits and 6% on six-month term deposits; accepted amounts between $2 and $2,000 per person; and allowed withdrawals of $200 on demand, $500 on 14 days' notice, and $2,000 on 30 days' notice.

[115]*Monetary Times,* 25 Dec. 1874.

[116]Private Banking Collection, Currency Museum, Bank of Canada, Ottawa.

[117]*Monetary Times,* 30 June 1871.

[118]Tom Naylor, *The History of Canadian Business, 1867-1914,* I, p. 168; Merchants Bank of Canada, Directors' Minutes, Public Archives of Canada. Naylor's source is a reference in the *Monetary Times* of 3 Nov. 1876. At this time Stinson's Bank conducted its foreign exchange with and issued drafts on the Canadian Bank of Commerce. It also maintained a long-standing correspondent relationships with the Chemical National Bank of New York which lasted until at least the mid-1890s, and with the National Bank of Scotland in the 1870s.

[119]*Monetary Times,* 21 July 1876.

[120]Dun, Wiman and Co., *Mercantile Reference Book, 1864; 1865; 1869; 1880.*

[121]*City of Hamilton Directory, 1868.*

[122]*Monetary Times,* 26 Sept. 1876.

[123]*Hamilton Spectator,* 14 May 1900.

[124]*Hamilton Evening Times,* 29 Oct. 1877.

[125]Toronto *Empire,* 30 June 1892.

[126]*Hamilton Spectator,* 1 May 1871.

[127]Jeffrey Wollock, "Glimpses at a Hamilton Family," p. 112.

[128]*Chicago Tribune,* 31 July 1893.

[129]*Hamilton Times,* 3 Feb. 1900.

[130]*Hamilton Spectator,* 26 Feb. 1894.

[131]*Monetary Times,* 15 June 1900.

[132]*Hamilton Spectator,* 27 Mar. 1902.

[133]Details concerning the last weeks of Stinson's Bank are from *Hamilton Spectator,* 3 Feb. 1900; 12 Feb. 1900; *Hamilton Herald,* 5 Feb. 1900; *Hamilton Times,* 3 Feb. 1900.

[134]*Hamilton Times,* 3 Feb. 1900. The *Times* account contains details not published in the other Hamilton papers.

[135]*Hamilton Spectator,* 5 Feb. 1900.

[136]*Monetary Times,* 9 Feb. 1900; 23 Feb. 1900.

[137]*Hamilton Spectator,* 12 Feb. 1900.

[138]*Hamilton Times,* 8 Feb. 1900.

[139]*Hamilton Spectator,* 9 Feb. 1900.

[140]*Hamilton Spectator,* 12 Feb. 1900.

[141]This information was not published in Hamilton until 1902. By this time C.M. Counsell had been dead almost two years. See *Hamilton Spectator,* 27 Mar. 1902.

[142]*Hamilton Spectator,* 9 May 1900. The leaders of the depositors' organization were George J. Smith; H. Carscallen, M.P.P., representing several depositors; Arthur O'Heir; Alderman Hobson and Father Brady, representing the small depositors.

[143]Jeffrey Wollock, "Glimpses at a Hamilton Family," p. 112.

[144]*Hamilton Spectator,* 5 Feb. 1900.

[145]Details are from Lillian M. Shaw, "The Stinson Family of Hamilton;" Jeffrey Wollock, "Glimpses at a Hamilton Family."

[146]J.P. Wintermute, *The Wintermute Family History,* (Delaware, Ohio: 1900), pp. 281-83.

[147]Jeffrey Wollock, "Stinson Jarvis: A Bio-Bibliography."

[148]*Wentworth County Directory, 1896.*

[149]*Hamilton Spectator,* 9 May 1900.

[150]Peter Russell, *Attitudes to Social Structure and Mobility in Upper Canada, 1815-1840* (Lewiston, 1990), p. 201.

[151]*Canada Directory, 1851; Hamilton Gazette,* 5 Jan. 1852.

[152]*Hamilton Spectator,* 10 Jan. 1899.

[153]Hamilton *Evening Times,* 24 May 1888.

[154]*Hamilton Times,* 3 Feb. 1859; *City of Hamilton Directory, 1858,* p. xi.

[155]*County of Wentworth and City of Hamilton Directory for 1865-6.*

[156]*Industries of Canada: Hamilton* (Toronto: 1886), p. 70.

[157]*Dictionary of Hamilton Biography,* p. 55.

[158]*Canada Directory, 1857,* p. 1172.

[159]*City of Hamilton Directory, 1858,* p. 94.

[160]G.M. Adams, *Prominent Men of Canada* (Toronto, 1892), p. 252.

[161]*Hamilton Spectator,* 3 Aug. 1867.

[162]*Hamilton Evening Times,* 14 Aug. 1868.

[163]Victor Ross, *History of the Canadian Bank of Commerce,* II, p. 374; Sir Edmund Walker Papers, Fisher Rare Book Library, University of Toronto, George Lee to B.E. Walker, 27 Feb. 1867. Walker's recollections of Murton's offices are quoted in Ch. V, *supra.*

[164]*Dictionary of Hamilton Biography,* p. 157; *Hamilton Spectator,* 24 Oct. 1898.

[165]*Monetary Times,* 24 June 1869.

[166]*Monetary Times,* 12 Aug. 1868.

[167]*Hamilton Spectator,* 3 Aug. 1867.

[168]*Hamilton Spectator,* 14 Apr. 1871.

[169]James Scott, *The Settlement of Huron County* (Toronto: 1966), p. 273.

[170]*Monetary Times,* 26 May 1871.

[171]*Hamilton Spectator,* 4 Feb. 1885; 10 Jan. 1907.

[172]*Monetary Times,* 9 June 1893.

[173]*County of Wentworth Directory, 1877.*

[174]*Hamilton City Directory, 1880.*

[175]*Industries of Canada: Hamilton,* p. 51.

[176]*Hamilton Spectator,* 4 Feb. 1885.

[177]*City of Hamilton Directory, 1862.*

[178]*City of Hamilton Directory, 1880; Hamilton Spectator,* 4 Feb. 1885.

[179]Dun, Wiman and Co., *Mercantile Reference Book, 1869; 1880.* Jones was consistently listed as a broker.

[180]*Monetary Times,* 17 Oct. 1867.

[181]*Monetary Times,* 18 June 1868. This venture had no connection with the joint-stock Agricultural Bank of the 1830s, managed by the partnership of Truscott and Green.

[182]*Monetary Times,* 29 Oct. 1868.

[183]Directors' Minutes, Merchants Bank of Canada, 29 Oct. 1870.

[184]Hamilton *Daily Spectator,* 1 June 1869; *City of Hamilton Directory for 1872.*

[185]*Monetary Times,* 20 Mar. 1874.

[186]Victor Ross, *History of the Canadian Bank of Commerce,* II, p. 20.

[187]*Hamilton Spectator,* 4 Oct. 1894.

[188]Walker Papers, George Lee to B.E. Walker, 27 Feb. 1867.

[189]*Hamilton Spectator,* 3 Aug. 1867.

[190]Walker Papers, George Lee to B.E. Walker, 4 Oct. 1867. Lee's interests ran to speculation, rather than genuine exchange business. A later communication reads in part: "I do think there is a good speculation in currency. I am trying to secure

$6,000," and another, "I think gold is going to forty-five, if so would like $5,000."

[191]Walker Papers, George Lee to B.E. Walker, 3 June 1868.

[192]*Dictionary of Hamilton Biography,* p. 12.

[193]*Hamilton Spectator,* 12 Jan. 1874.

[194]Christopher Rudd, "The Hamilton Street Railway, 1873-1906," unpublished paper, Special Collections, Hamilton Public Library. The founders of the H.S.R. also included former banker John W. Murton, and Lyman Moore, who was related to the Stinsons by marriage.

[195]*Dictionary of Hamilton Biography,* p. 13.

[196]Biographical information is based on information in the city directories between 1858 and 1880.

[197]*Hamilton Spectator,* 26 Sept. 1904; 5 May 1953. Frank Glassco was later the manager of the Imperial Bank in Hamilton, from 1900 to 1933. The Glassco family fortune was established by Frank's father, W.H. Glassco, in the fur business.

[198]*Hamilton Spectator,* 7 Mar. 1885.

[199]Charles M. Counsell will, Gardiner Scrapbooks, vol. 6, p. 68, Special Collections, Hamilton Public Library.

[200]*Hamilton Spectator,* 14 May 1900; 5 May 1953.

[201]The Merchants Bank and Bank of Commerce both established savings departments when they opened their Hamilton branches in 1868, and offered 4% and 5% on deposits, matching the rate offered by Stinson's Bank. See *Hamilton Spectator,* 1 June 1869. The Hamilton Provident and Loan Co., founded in 1871, had $1,079,000 in savings accounts by 1886. The Landed Building and Loan Co., founded in 1876, had over $500,000 in its savings department 10 years later, and was increasing the total at the rate of 10% per year. Both quickly eclipsed Stinson's Bank in size. See *Industries of Canada: Hamilton,* pp. 67-69.

[202]A. St. L. Trigge, *History of the Canadian Bank of Commerce,* III, pp. 151-54.

[203]"Are Express Companies Bankers?", *Journal of the Canadian Bankers Association,* 7 (1898), p. 87.

[204]A.B. Jamieson, *Chartered Banking in Canada,* p. 370.

IV. THE RISE OF THE HAYSEED CAPITALISTS: SMALL-TOWN PRIVATE BANKERS, 1868-1880

Offices offering financial services outside the chartered bank system became well-established in the Canadian banking system by the 1860s. The ranks of the urban private bankers, some of whom began in the 1840s and 1850s, were supplemented in the 1860s by a group of exchange specialists who dealt largely in American currency. While these money and exchange brokers were concentrated in the urban centres, a number were located in hinterland towns, and it is possible that some small-town merchants dabbled in exchange transactions as a sideline. A new phenomenon appeared in the financial sector in 1868, when Alex Johnston opened a banking office in Strathroy that offered all the services of a chartered bank branch. The small-town private bank had appeared, and would soon cease to be a novelty. Fifteen years later, small-town private banks dominated hinterland banking in Ontario.

The rapid expansion of private banking in the 1870s, and particularly in the later years of the decade, occurred as a result of vital, expanding local economies, and the continuing difficulties experienced by the chartered banking system in providing a level of service acceptable to the hinterland. Several chartered banks soon sponsored private banks, which allowed them to cultivate rural Ontario business with fewer risks, management problems, and expenses than their own branches. In essence, private banks provided them a branch system on the cheap.

The proprietors of the first generation of private bankers came from diverse business backgrounds, but most had strong ties to their home towns as merchants, manufacturers, commodity dealers, and agents of various stripes. Many continued their previous business activities after starting their banks. By 1880, these early private bankers had become a financial elite, and were the wealthiest men in their towns. Such success, in a period usually regarded as one of economic stagnation, suggests that the effects of the depression of the 1870s were felt unevenly, and that some small towns actually thrived.

The growing capital resources in small towns not only produced private banking, but it allowed merchants to redefine the terms of metropolitan-hinterland relationships. The availability of credit through a local bank, combined with their own accumulated capital, allowed them a measure of independence in selecting their suppliers and in severing ties with the large wholesale houses. The first private bankers provided working capital to local industry, but they had particularly strong ties to the grain and commodity sector, and to agriculture generally.

Little more than a decade after the first private bank opened its doors, private banks outnumbered chartered bank offices in Ontario. Local patriotism, flexibility, low cost of operation, and the ability to take security not allowed to the chartered banks by statute, all helped private bankers to establish quickly the dominant position in hinterland banking.

a: The Precursors: Exchange and Money Brokers in the 1860s

During the 1860s a small group of financial offices appeared in some of the larger towns of Ontario. These were specialized institutions, dealing exclusively or largely in foreign exchange, with the exception of a couple of savings bank specialists. All were in towns served already by at least one chartered bank office. The appearance of so many of these firms at roughly the same time in widely scattered regions of the province indicated that the volume of foreign exchange transactions was large, and that the chartered banks had difficulty in handling this business competitively and efficiently. The identification of the exchange and money brokers is not a simple task. Compilers of directories and gazetteers in the 1860s tended to lump these exchange brokers in the general category of 'broker,' a term they employed rather broadly and loosely to include those who dealt in commodities, real estate and shipping, as well as financial services. Sometimes the term 'broker' was used with a qualifier such as 'money' or 'exchange,' other times alone. It is rarely possible to determine the exact nature and extent of the financial business transacted by these money and exchange brokers.

Sir Edmund Walker offered an excellent description of one of these offices in a 1918 address delivered at ceremonies celebrating his 50th year with the Bank of Commerce. Walker recalled his first employment, at the age of 13, in the Hamilton exchange office of his uncle, John W. Murton:

> In books such as *Who's Who* he is described as a private banker, but he had what in Europe is called a *bureau de change* – an exchange office. Here the American traveller sold his State-bank notes, of which there were many hundred kinds, issued in various States, and ranging in discount when sent to New York in accordance with distance, but more so in accordance with opinion as to the soundness of the banking laws of the different States, the problem being further complicated by the existence of scores of failed banks, of forgeries and raised notes. As a result, I soon became an expert in counterfeit money. To us the Irish immigrant came who wished to send a pound home to the mother, or the small trader who, afraid to enter the counting-room of a regular bank, wished to buy or sell a draft on New York. Our business consisted largely in buying the foreign coins of which our currency was mainly composed. It was only in 1858 and 1859 that silver money was coined for Canada....Our currency, when I was a boy, consisted largely of Spanish coins, more or less worn and varying greatly in value for that reason, and I have counted tens of thousands of them, sending them to the melting pot....In addition to the small coins, we had, often but not daily, to buy Spanish and Patriot doubloons, Portuguese joes, and many other foreign gold and silver coins, and much worn English silver....The American Civil War exaggerated these conditions by transferring to Canada their supply of these coins, together with State-bank notes, and the new currency created by the war, in exchange for horses, cattle and other supplies....Thus I saw every issue of currency, even the original "greenbacks" which were payable in gold, and every issue of bonds made by the United States in carrying on the war. The American buying army supplies, the Canadian in the Union army home on leave, and almost daily, the bounty-jumper, were my customers, and I kept at the door of the office a complete bulletin of the events of the war....[1]

Dun, Wiman and Co. in 1869 published ratings on about a score of businesses offering financial services to the general public, most of which were exchange offices of the type described by Sir Edmund Walker. Several additional firms, not rated by the agency, can be found in the various local and county directories of the 1860s. About half these firms eventually became true private bankers in the 1870s and 1880s (see Figure 4.1).

With few exceptions, these financial offices all originated in the 1860s. Two anomalies are House's Exchange Office of Cobourg, which claimed a starting date of 1845,[2] and Josias Bray's Hamilton exchange office, which also commenced in 1845. Frank House did a small business in American currency and drafts, but his major activity was as a bookseller and news agent. Never a prosperous business, House's Exchange Office merited Dun and Wiman's lowest rating in 1869, with an estimated financial strength of less than $2,000.[3] It is probable that other merchants and businessmen dealt in exchange as a sideline to some other business, but were not listed in directories.

It seems likely that the American civil war played a large part in the appearance of exchange offices in the early 1860s, as sharp-eyed entrepreneurs moved quickly to exploit a new sector of the financial market and to speculate in American greenbacks and securities. Most of these firms possessed small means, with a financial strength of less than $10,000, and a number were not listed at all in Dun's *Reference Books.* Only two rated as excellent credit risks. Ranking highest were Eason Watson of Whitby and the firm of Redmond and Macdonald of Stratford. The latter firm, listed as "brokers, etc.," were in fact lumber dealers, who probably developed their banking business to facilitate exports of their own lumber to the U.S. Their office, which opened in the fall of 1867, offered "conveyancing and exchange."[4] Their bank address also served as the head office for the lumber firm, which purchased and processed logs at a mill in rural Grey County, near Owen Sound.[5] James Redmond was the active partner on the banking side, and by the early 1870s he

Figure 4.1

Exchange and Money Brokers in Ontario, 1864-1869

town	firm	nature of business[a]	strength[b]	rating[c]
Aylmer	W.E. Murray*	conveyancer, etc.	$10-20,000	2
Aylmer	Daniel Stewart*	broker	5-10,000	2½
Barrie	William Holt*	broker; bill broker	5-10,000	2
Belleville	Lloyd and Stewart	brokers	<1,000	3
Brantford	W.H. Bacon	exchange	2-5000	3
Brockville	W.M. Fulford	drugs and exchange	2-5000	2½
Chatham	Gardiner & Bro.*	bankers and brokers	5-10,000	2½
Clifton	Henry Preston*	broker, etc.	2-5,000	2½
Cobourg	Franklin House	books and broker	1,000	3½
Cobourg	W.D. Burn	savings office		
Dundas	J.C. Mackenzie	broker & money lender		
Guelph	John Jackson	exchange	5-10,000	3
Peterborough	Thomas Menzies	banker, books, exchange		
Picton	C.S. Wilson*	broker & shipbuilder	50-100,000	1½
Port Hope	Stanley Patterson	exchange		
Prescott	George P. Barker	money broker, exchange		
Prescott	Henry M. Ormiston	exchange broker		
St. Thomas	George T. Claris*	bill broker	25-50,000	1½
Stratford	Redmond & Macdonald	brokers, etc.	25-50,000	1
Stratford	William Mowat*	savings office		
Whitby	Eason Watson	money broker	50-100,000	1
Windsor	McGregor and Bro.*	exchange	10-25,000	2

[a]As listed in *Dun and Wiman Mercantile Reference Book,* 1869, or *Mitchell's Directory,* 1864.

[b]From *Dun and Wiman Mercantile Reference Book,* 1869.

[c]Dun and Wiman credit worthiness: 1 = high, 2 = good, 3 = fair, 3½ = poor.

* Firms later operating as full-service private banks.

[Sources: Mitchell's *Canada Directory, 1864; Dun and Wiman Mercantile Reference Book,* Jan. 1869.]

was accepting money from farmers for deposit and investment, some of which undoubtedly supplied the working capital for Redmond and Macdonald's lumbering operations. The firm suffered setbacks in the volatile lumber market of the 1870s, and in 1876 Redmond absconded with all the money left in his hands by Stratford area farmers.[6]

Although the exchange offices of the 1860s tended to be concentrated in the large centres, middle-rank towns and regional centres, such as Stratford, Cobourg and Whitby, also had a significant share. Among these towns, St. Thomas enjoyed a position as an important regional financial centre in the mid-nineteenth century, boasting four savings and loan companies for a period of time,[7] as well as a group of exchange dealers, bill brokers and private bankers. George T. Claris ranked as the town's most important private banker, and also served as the county treasurer.[8] He was active in the exchange business in the 1860s. Dun, Wiman and Co. classified him as a `bill broker,'[9] indicating a business centred on lending and the buying and selling of promissory notes. Claris seems to have moved rather early into full-scale banking. By the early 1870s he was offering safety deposit boxes, deposit accounts, insurance and mortgages.[10]

St. Thomas had experienced a lively banking history by 1870. The Farmers Joint Stock Bank had operated here around 1835, and the ill-fated Bank of Elgin, with its head office in the town, had come and gone in the 1840s. Branches of the Gore Bank and Bank of Montreal had operated with varying success; both had closed during the 1860s. Finally, the closing of the town's two remaining banking offices, those of the Upper Canada and Commercial Banks in 1866 and 1867, produced a local banking vacuum that only Claris, with his established exchange and financial office, was able to fill. The Merchants Bank took over the Commercial office in 1868, and Molson's Bank set up shop in 1872, but previous events, which produced a local distrust of chartered banks in some minds, worked in favour of Claris and several other private bankers in St. Thomas. Claris remained in business as a private banker until the late 1890s; by this time there were four chartered bank offices in St. Thomas.[11]

The money brokers and exchange offices varied greatly in the scale of their businesses. Almost half rated only fair or poor on credit worthiness, and most operated as a sideline to some other business. As well, the position of individual businesses could change drastically in a short period of time. For example, Daniel Stewart of Aylmer offered the postscript of "N.B. American Money Bought and Sold" to his advertisements as a hardware dealer and glue and potash manufacturer in 1865.[12] A decade later, Stewart had disposed of his other businesses, and managed a full-service private bank.[13]

In addition to the exchange dealers, two savings specialists can be identified in the 1860s: W.D. Burn of Cobourg and William Mowat of Stratford, who commenced business in 1863.[14] These firms attracted deposit business in towns where investors with small sums of 'surplus money' had few short-term alternatives. In the 1870s, when the chartered banks began seeking deposits aggressively and the Post Office Savings Bank entered the field, both Burn and Mowat expanded their range of services and became full-service private banks.[15]

Several of the exchange and money brokers arose out of activity in the shipping business. The McGregor brothers of Windsor, like the Folger brothers in Kingston, operated steamship companies that soon led them into foreign exchange dealings. Stanley Paterson of Port Hope became involved in banking through the express business. In the late 1870s, he advertised his banking and exchange business as "in operation since 1861."[16] Paterson did have an office in 1861, but as an express and ticket agency, representing the Grand Trunk Railway, in Port Hope's downtown core.[17] Paterson expanded and extended his banking services over time. The express business led him into foreign exchange and funds transfers, and a connection with Jay Cook and Co. of New York; this in turn led to Paterson becoming the Port Hope agent for Cook's bonds and securities. When Cook failed in late 1873, Paterson was listed on the roll of creditors to the tune of almost $28,000.[18] It was not until the late 1870s that Paterson began offering a full range of banking services, including current accounts, savings, discounts and exchange.

The late 1860s saw asemblance of normality return to the North American financial system, eliminating both the legitimate business and speculation that had supported the exchange brokers. The end of the Civil War and the expiration of the Reciprocity Agreement reduced the volume of American foreign exchange business, and chartered banks re-established their position in this market segment. Some of the exchange brokers awitched to other financial services; others such as John Murton of Hamilton moved on to other business ventures. Overall, there are few direct links between the exchange brokers of the 1860s and the full-service private banks of the post-1870 era, though they did set the precedent for independent proprietors in smaller centres to operate banking offices in niches unoccupied by the chartered banks.

b: The First Full-Service Private Bankers, 1868-1873

In the summer of 1883, Alex Johnston announced that he was retiring from the private banking business.[19] Johnston had opened his bank in Strathroy in 1868,[20] and had expanded his business with a London office in the mid-1870s and a branch in Amherstberg in 1878.[21] In 1881 he had joined the banking firm of Tisdall and Gale of Clinton in a new partnership. This new firm operated banking offices in Clinton and Elora.[22] In announcements of his retirement from banking, newspapers touted Johnston as the first private banker in Ontario. This claim, in fact, had been made at least two years before. When he extended his banking activities to Clinton in 1881, the *Huron Herald* described Johnston as one of the leading bankers in Canada, and "the gentleman who started the first private bank in the province."[23]

On the surface, this is a curious and extraordinary claim, and deserves close examination. Private banking businesses in the cities had existed for two decades before Johnston began his bank, and some had been using the title 'banker' since the mid-1850s. Johnston must certainly have been aware of these, as must the newspaper editors who printed the claims and the bank customers who read them. In London, Henry Taylor had begun his high-profile banking business in 1863, and F.B. Beddome had been, since at least 1864, calling himself a private banker, perhaps the first man in Ontario to do so.[24] Strathroy was less than 20 miles from London, and Clinton about 40. Both towns fell within London's trading area. As well, a few miles southeast of Clinton on the Buffalo and Lake Huron Railway at Stratford, Mowat's Bank had been in the savings business since 1863.[25]

It is most plausible that the claim for Johnston's status as the original private banker rested on a narrow and specific definition of the term. The claim can be sustained only by considering the private bank office as the equivalent of a chartered bank office in everything except ownership. Johnston's Bank offered discount, deposit, foreign exchange, collection and chequing services, and conducted the business with a staff whose duties corresponded to those in a chartered bank office.[26]

The private banks of London, Stratford and other locations in the 1860s specialized in one way or another; none offered a full range of banking services. In London, Henry Taylor concentrated on the petroleum business and brokerage; F.B. Beddome's insurance and real estate business overshadowed his banking activity. In its first years, Mowat's Bank in Stratford remained strictly a savings bank, and advertised as such until at least 1869.[27] When Mowat expanded to a full banking business in 1874, the change was widely noted.[28]

Also lending credence to Alex Johnston's claim as Ontario's first private banker was his decision to divorce his banking activities from his other business interests. Like Johnston, many small-town private bankers abandoned their original businesses or passed them on to other family members when they commenced banking. Others, such as J.H. Fairbank of Petrolia, continued as partners in one or more local businesses in addition to their banks. In virtually all cases, though, these private bankers separated the management of the private bank from other business activities. In Fairbank's case, for example, he delegated most decisions to his manager, Robert Morris. The small-town private banks emulated the chartered banks in their procedures and policies, and, in most cases, copied the bookkeeping systems of chartered bank offices.

Financial offices performing banking functions had existed for years in several of Ontario's smaller towns, but none offered the full range of services or conducted their business on formal banking standards before Johnston opened his office in 1868. In Alex Johnston's home town of Strathroy, for example, James Manson began a private brokerage and lending business in 1867, a year before Johnston established his bank, but Manson did not begin advertising as a private banker until 1875.[29]

By acting exclusively as a banker in the local economy, Johnston distanced himself from conflicts of interest, enabling him to deal with all local businessmen on an equal basis. The majority of private bankers in Ontario would follow Johnston's example in not involving themselves directly with other business ventures. Those who continued with other enterprises had to avoid the temptation of using bank funds to support these ventures if and when they encountered difficulty. These bankers also had to avoid the appearance of conflict of interest in their dealings with other businessmen in small local economies.

While Alex Johnston has a good claim to the title of Ontario's first private banker in the strictest sense of the term, others soon entered the field. Vaughn and Fairbank established their private bank in Petrolia in 1869,[30] and Campbell Brothers of Watford and Robert Agur of Ingersoll opened later in the same year. In 1870 Sam Barfoot opened a banking office in Chatham, John Beattie in Fergus, and R.A. Baby in Sarnia.

Typically, these small-town bankers had already established themselves as businessmen and capitalists in their towns. Their banking operations either extended naturally from other business activities, or provided a means to employ their surplus capital when few opportunities for further expansion were available in their existing businesses. The slow development of the chartered bank branch systems during the 1870s and 1880s abetted the private bankers in establishing themselves solidly in many communities.

Alex Johnston's career established the archetype for many of the private bankers who followed his path. He was a member of a family long established and well known in Middlesex County. Johnston established a store in Strathroy in 1860, which prospered greatly over the next eight years, generating the capital that allowed him to open his bank in 1868.[31]

The Petrolia firm of Vaughn and Fairbank provides a superb example of a private bank moving quickly into a situation that the chartered banks were reluctant to exploit. Lambton County's oil boom began with the Oil Springs field in 1859. When the oilmen discovered a second field in 1861, at Enniskillen, John H. Fairbank became one of the first producers. An American immigrant, Fairbank had come to Canada in 1853 to work as a surveyor.[32] He grasped the technology and business opportunities of oil production quickly, and soon ranked as a leading oil producer. At this stage his base was located at Oil Springs.

Fairbank ended his four year residence in Oil Springs in 1865, and moved to the emerging new oil capital of Petrolia. Here he expanded his activities as an oil producer and in 1867 began a general retail business. In 1870 B.S. Van Tuyl joined the retail operation, which henceforth specialized in hardware and oil drilling equipment. The year before, on August 10, 1869, Fairbank had started his full service private bank in partnership with L.B. Vaughn, another expatriate American.[33] Like Fairbank, Leonard Vaughn had done well during the boom in Oil Springs, thriving in real estate, crude oil and retailing.

As with many of the early private banks, the historical sources for Vaughn and Fairbank remain sketchy and ambiguous. Edward Phelps, Fairbank's biographer, claims that Leonard Vaughn operated a private bank at Oil Springs in the mid-1860s. Victor Lauriston, a Lambton County historian, credits Fairbank with being an Oil Springs banker. Dun's *Mercantile Reference Book* for January 1869 lists Leonard Vaughn as an Oil Springs broker. A Bank of Montreal agency seems to have been open in Oil Springs for a time; either Vaughn or Fairbank, or perhaps both at different times, might have been the agent. One of Fairbank's obituaries states that Vaughn and Fairbank commenced their bank by taking over a private banking business in Petrolia run by Patrick Barclay,[34] an assertion supported at least partially by the listing of Barclay as an exchange broker by Dun's.[35] Phelps does not believe that Barclay engaged in any significant banking activity.[36] Barclay at the time served as Petrolia's postmaster.[37] His banking operation probably consisted of funds transfers and foreign exchange transactions associated with the oil business. A considerable volume of this business existed in Petrolia, an amount sufficient to attract another financial office, that of M.S. James and Son. This firm, with its main office in Sarnia, operated as money and exchange brokers, specializing in specie, U.S. government bonds and greenback conversion.[38] It appears, therefore, that Phelps's assertion that Vaughn and Fairbank provided the first adequate banking facility in Petrolia was correct,[39] and that the Vaughn and Fairbank bank did not predate that of Alex Johnston at Strathroy.

The Campbell Brothers Bank of Watford commenced at the same time as Vaughn and Fairbank, in 1869. This operation was also a general banking business tailored to meet the needs of the community and the other business activities of its proprietors. In a pattern that would become typical of many later private bankers, D.J. and M.S. Campbell operated a general grocery and provision establishment in the 1860s. By the end of the decade they were handling a significant amount of grain, and in 1869 they restructured their business into banking and commodity divisions, with D.J. Campbell in charge of the bank and M.S. Campbell handling grain transactions.[40] The separation of the commodity and banking functions allowed for autonomous management of each, even though the commodity portion of the business depended heavily on the bank.

Watford, Wyoming and Strathroy were the important shipping points on the Great Western's London to Sarnia branch. Good opportunities for commodity merchants existed in all these places, and private bankers would come to play a large role in financing grain purchases in all three towns. Only in Strathroy, where the Canadian Bank of Commerce opened contemporaneously with Johnston's Bank, did chartered banks establish a strong presence before 1900.[41] Campbell Bros. Bank, in addition to providing the usual deposit, exchange and discounting services, also sold insurance and acted as agents for British investors.[42] As grain dealers and merchants, Campbell Bros. traded on the Chicago commodity market, and with other commodity brokers in southwestern Ontario.[43]

Robert Agur of Ingersoll had his roots in the lumbering business. He operated in various locations in a band of timber stands north of Lake Erie, from Norfolk County to Essex County. Agur established his bank, known as the Exchange Banking House, in 1869. He also operated a commodity brokerage agency in connection with the bank.[44] The banking business developed as a natural outgrowth of Agur's activity as a lumber exporter, in much the same way as Redmond and Macdonald at Stratford. His early advertisements emphasized his facilities for handling drafts and collections in the United States. Ingersoll generated a sufficient volume of this cross-border business to support an exchange specialist, R.A. Woodcock, in addition to Agur in the late 1860s.[45]

Agur's office initiated a lively decade of banking in Ingersoll. His Exchange Banking House operated from the same building as the Niagara District Bank and the office of Newlands Hayes, an insurance and general agent who expanded into a general private banker in 1875.[46] This grouping of financial services suggests that these chartered and private banks were complementary rather than competitive in the larger villages and towns. A similar arrangement arose in Ingersoll in 1877, when J.C. Norsworthy, an insurance agent and businessman, constructed a new business block which housed the Molson's Bank branch on one side and his own private bank on the other.[47]

Robert Agur remained in the banking business in Ingersoll until 1877. At this time intense competition existed in the town's financial sector. In addition to Agur, J.C. Norsworthy and Minkler and Co. both operated private banks. C.H. Sorley, a former manager of the Merchants Bank branch, carried on an insurance, land and financial agency. As well, Molson's Bank, the Merchants Bank, and the Imperial Bank had branches in Ingersoll. In the late 1870s Agur moved the base of his operations to Chatham, where he continued in the lumber business.[48] He eventually returned to Ingersoll, where he conducted an insurance and loan agency in the 1890s.[49]

R.A. Baby of Sarnia represented the third generation of his family to be involved in mercantile activities in that town. Sarnia, in the 1860s, was not a large community, but it hosted a lively trade in produce, and the town served as a trans-shipment point for Great Lakes and Michigan traffic. A Great Western Railway branch line from London ended at Sarnia, and the main line of the Grand Trunk terminated at the Point Edward ferry docks, a couple of miles to the north of the town. Baby had started in business with a general store, and later began an export business for produce.[50] By 1866 he operated a full-fledged forwarding and commission agency.[51] Four years later Baby had become a private banker, operating under the style of Baby's Banking House.

At the time, Sarnia already supported several banking facilities. The Bank of Upper Canada had opened an agency in the town in 1852, which was taken over by the Bank of Montreal on the collapse of the Upper Canada Bank in 1866.[52] The Canadian Bank of Commerce established a Sarnia office in 1870. Two private financial firms also existed: Howell and Co., specializing in exchange, with strong connections to Detroit bankers, and M.S. James and Son, who advertised as money brokers.[53] It appears that the Sarnia private bankers and exchange brokers, Baby, Howell, and James enjoyed a competitive advantage over the chartered banks by dealing directly with American banks across the Detroit and St. Clair Rivers.

Baby seems to have left the commodity and commission business when he established his bank, and instead, financed the operations of other commodity brokers. Baby's bank handled savings and current accounts, deposit certificates, collections, loans and discounts. Exchange transactions, associated with the commodity and trans-shipment activity in Sarnia, formed a large part of the business. During the 1880s he offered loans on the strength of oil certificates, and began advertising in the Petrolia newspapers as well as those in Sarnia, elbowing his way into the oil business that had been so lucrative for Vaughn and Fairbank.[54]

Soon after Baby established his bank, Michael Fleming opened an office offering virtually identical services to those of Baby.[55] Exchange business was so important for Fleming that he advertised the latest quotations for American currency in each issue of the *Sarnia Observer.* Sarnia seems to be the first of the smaller towns possessing competitive full-service private banks, with Fleming and Baby in head-to-head competition by 1872.

About 1882, Fleming opened a branch office of his bank in Forest, under the management of J. Donnelly. Located about 20 miles east of Sarnia on the Grand Trunk main line, Forest was the most important grain shipping point between Sarnia and Stratford in the 1880s.[56] Fleming's Forest office reflected his continuing involvement with the financing of commodity movement. In the early 1880s, Fleming supplemented his banking activity by serving as manager of the Lambton Loan and Savings Co.,[57] one of a number of local firms that lent on mortgage security and accepted savings deposits from the public. Fleming's role as the manager of a local mortgage company would later be emulated by several other private bankers.

Windsor's local economy shared many characteristics with Sarnia in the early 1870s, affording opportunities for both private and chartered banks. When William and Robert McGregor opened their bank at Windsor in 1871, the Bank of Montreal and the Merchants Bank were already established in the town, and Molson's Bank would arrive the following year. The McGregor brothers came to Windsor about 1870 to engage in the shipping business.[58] A short time later they began a general banking business with William McGregor as the senior partner. The bank quickly built up a large deposit ledger, which provided funds for their other business ventures in steamships and real estate. For the first five years the McGregor brothers succeeded in building a large banking business, but they soon encountered difficulties in their other ventures. Heavy losses sustained in the steamship business resulted in rumours of financial difficulty for the firm, causing the largest depositors to withdraw their money. The steamship business stumbled on for another couple of years, bringing down the bank permanently in 1877.

The McGregor brothers enjoy the distinction of having suffered the first major failure of a small-town private bank in Ontario.[59] Liabilities amounted to almost $211,000.[60] Over $70,000 of their bank's assets were locked up in the steamship business and in real estate, a situation that vividly demonstrated the dangers of a private banker using deposits to fund his own business ventures. Molson's Bank, the largest creditor, had claims of $111,000. The deposit ledger included 223 names and the deposit accounts totalled over $75,000. Eighteen of the accounts exceeded $1,000. Deposits had been severely depleted in a run on the bank in its last two weeks of existence; the total undoubtedly had once stood at over $100,000. As security for their loans, the McGregor brothers had endorsed the promissory notes of their own borrowing customers and pledged them to Molson's Bank. In effect, they had rediscounted their loans, and their customers' ultimate liability was transferred to Molson's Bank. Many of the McGregors' loans had been made to poor credit risks, reducing the quality of Molson's security to much less than its face value. Banking competition had become keen in the mid-1870s in Windsor. The Bank of Commerce had opened a branch in 1874, the fourth Windsor chartered bank office. As well, several more private banks and exchange offices had also entered the field. In order to maintain their business, McGregor Bros. had accepted notes for discount that had been rejected by their competitors.[61]

Molson's Bank suffered substantial losses in the failure, which served as a lesson to all chartered banks to limit their exposure in loans to private banks and to evaluate more carefully the value of the security offered, though strict policies in this regard did not emerge until the next decade.[62] The experience of the McGregor account, combined with other major losses at Windsor, prompted Molson's Bank to close its branch there early in 1878.[63] The failure did not have an adverse effect on the reputations of the McGregor brothers, at least among the financial elite of Windsor. After the affairs of the bank had been sorted out, William McGregor migrated to Winnipeg, where he seems to have prospered during the Manitoba boom. He returned to Windsor in 1887, investing in a street railway project,[64] and was elected a member of parliament. During the 1890s he participated in business ventures with Hiram Walker and John Curry, the proprietor of the Essex County Bank.[65] Few failed private bankers recovered their fortunes to the extent of William McGregor, but those who were perceived to have failed due to forces beyond their control generally received the sympathy of their communities. Although no failed private bank ever reopened in Ontario, some private bankers, like William McGregor, resumed their business careers in other lines.

Another stream of private bankers came from the chartered bank branch system. In the 1870s many bank branches closed when they failed to live up to the expectations of head office, or when the bank itself was forced scale down its operations to avoid failure, making refugees of their managers. Several of these former branch managers capitalized on contacts and respect gained in their former positions to open their own private banking businesses. The first of these seems to have been John Beattie of Fergus. Beattie had a background as a farmer in Nichol Township.[66] In the 1860s he began a conveyancing and insurance agency in Fergus, and was tapped by the Royal Canadian Bank to be manager of their Fergus branch when it opened in 1867. The Royal Canadian Bank never reopened its Fergus office following its crisis in the summer of 1869. As a bank manager, Beattie had acquired considerable local confidence. A number of businessmen in Fergus and nearby Elora petitioned the Merchants Bank, in the process of opening in nearby Elora, to appoint Beattie the manager of the new branch.[67] The Merchants Bank put someone else in charge. Six months after he lost his manager's job, and shortly after he failed to secure the Merchants Bank appointment, Beattie was in business with his own private bank, in the office formerly used by the Royal Canadian Bank.[68]

Initially, Beattie did not advertise himself as a banker, but he did offer the important banking services, such as discounting and deposit accounts. He continued his activity as an agent for insurance companies and building societies, and from 1871 until his death in 1897 was the clerk of Wellington County.[69] Unlike other private banks, Beattie's Banking House was never the major financial institution in its community. John Beattie did not have a great deal of capital, and relied on commissions and service charges for much of the bank's income. He made something of a specialty of small, unsecured loans, most in the range of $50 to $100, for which the standard rate of interest was 12%, substantially above commercial rates. A number of these were to prominent people in the community who were temporarily embarrassed financially.[70] It appears that Beattie offered credit when customers could obtain it nowhere else, or when they wished to keep their regular banker uninformed about a particular transaction.

Despite the relatively small volume of his business, Beattie was sufficiently successful by 1879 to build an office block, housing himself and several other businesses. For his entire banking career he co-existed with chartered bank branches in Fergus. The Bank of Montreal, which had maintained an agency in Fergus since at least 1864, attempted to fill the void created by the closing of the Royal Canadian by expanding to a full service branch in 1877.[71] The Merchants Bank established an office in 1871, but this was only a sub-agency of Elora, and it closed in 1876.[72] The Bank of Montreal withdrew from Fergus in 1878, and its place was taken by the Imperial Bank, which eventually built a large business in the town. The Bank of Montreal continued its Fergus connection after 1878 through a correspondent relationship with John Beattie, and supplied him with a large portion of his working capital, and access to their cheque clearing and draft cashing system.[73]

The course of events that led John Beattie into the private banking business in Fergus was repeated, in a slightly different form, by Walter P. Newman of nearby Elora. Newman had commenced his career in Elora as a clerk with the village's foremost milling and retailing firm, and in 1850 had formed a conveyancing and real estate agency with his brother Edward. Within a couple of years W.P. Newman and Co. were also acting as brokers for private lenders and as agents for several insurance companies and building societies.[74]

In 1862 the Bank of Montreal acquired Newman's services as their Elora agent. In effect, this banking office functioned as a satellite of the Bank of Montreal branch in Guelph, and except for the sale of drafts and exchange, Newman's duties consisted of being little more than a courier to the Guelph branch. It was an awkward arrangement for customers, and it suffered after 1869 when the Merchants Bank opened a full-service Elora branch.[75] In 1872 the Bank of Montreal withdrew its Elora agency, leaving Newman on his own with the real estate and agency business. W.P. Newman and Co. continued to deal in exchange after the break with the Bank of Montreal, and a few months later began to expand the scope of their business into other lines of banking.[76]

Early in 1873, Newman organized a joint-stock firm under the style of "The Farmers' Banking House."[77] There were 18 shares, of which Walter and Edward Newman each held five. Two prosperous farmers in the Elora area, David Foote and Thomas Pritchard, held single shares. The remaining six shares were divided between James and Arthur Ross, scions of a well-to-do Scottish family.[78] As Ross and Co., the brothers had been the most important developers of Elora in the 1840s, and had been Newman's first employer in Elora.[79] The Farmers' Bank offered a full range of banking services, and made a specialty of agricultural business, loaning on future crops, livestock and farm machinery, a line of business that they pursued with more success than the Merchants Bank down the street.[80]

The deteriorating position of the Merchants Bank in the late 1870s worked to the advantage of Walter Newman and his Farmers' Bank. The Merchants Bank encountered major difficulties with all its Elora industrial accounts and with milling accounts in Elora and Fergus.[81] As well, head office attempted to reduce the bank's discounts and to contract the branch system following major losses at its New York agency. After winding down the Elora business for three years, the office was closed in 1880.

Walter Newman did not survive to enjoy a banking monopoly in Elora for very long. He died in 1881, a few weeks before his brother Edward. The family sold the banking business, and wound up the joint-stock company.[82] The purchasers of the banking business were T.A. Gale and J.P. Tisdall, operators of a private bank in Clinton. Gale became the manager of the Elora office. Within weeks, Alex Johnston of Strathroy, the `first private banker' in the province, joined the partners.[83] The Elora office perpetuated the Farmers' Bank name. Under the Johnston, Gale and Tisdall partnership and its successors, the office enjoyed a monopoly of Elora's banking business until the Merchants Bank returned to the village in 1899.[84] The Farmers' Bank was ultimately sold to the Traders Bank in 1904.[85]

The Strathroy banking firm of L.H. Smith and Co. exemplifies the problems of dating the commencement of private banks. This bank advertised that it was established in 1873,[86] but Smith was in business as early as 1870, operating a lending business from a desk at the back of a grocery store in Strathroy.[87] The 1873 date probably marks the formation of the partnership of L.H. Smith with his brother, Montague A. Smith, which undoubtedly involved the infusion of additional capital. The Smith firm opened a branch in Forest in 1873,[88] and immediately succeeded in building a large general banking business in the commodity and agricultural sectors.[89] The Forest office, nominally under the management of Montague Smith, seems to have done the larger business. No banking competition appeared in Forest until Michael Fleming opened his branch office in 1882. Strathroy, meanwhile, already had the established banking businesses of Alex Johnston and the Bank of Commerce. James Manson, E. Rowland and Co. and the St. Lawrence Bank all opened in Strathroy in the mid-1870s. Smith's Strathroy office continued to be operated from the back of a grocery store until at least 1875,[90] and L.H. Smith, who had charge of the Strathroy office, spent at least some of his time at Forest.[91]

By 1873, five years after Alex Johnston opened his private bank, the Ontario small-town banking industry encompassed a handful of offices concentrated in southwestern Ontario. The geographical limits extended to Clinton in the north and Fergus in the east, with the largest number in Lambton and Middlesex Counties. Although the number of private bankers was still small, a number of common characteristics were already evident. The hayseed capitalists who started the first private banks had established close ties with their communities, operating successful hinterland businesses and accumulating capital. Most began their banks in towns that had experienced, or were still experiencing, difficulties with the unstable branch system of the chartered banks. Lastly, several had already set up branch offices, and, in the case of Alex Johnston, a pattern of interlocking proprietorships had been established. These commonalities would characterize Ontario's small-town private banks for the rest of their existence.

c: Expansion of the Private Banking System in the 1870s

Emulating the example of Alex Johnston and the other small-town private banking pioneers, dozens of hinterland businessmen across the province became bankers during the 1870s. From a half-dozen offices in 1870, the number quickly passed the hundred mark before the end of the decade. The rapid growth of Ontario small town private banking, particularly in the years after 1876, stemmed directly from a combination of continuing instability in the chartered bank branch network, and economic developments in the hinterland. The 1870s, and particularly the period from 1873 to 1879, are typically described as years of economic stagnation or depression. Nevertheless, Jacob Spelt has shown that by 1881, industry, though still service-oriented, had become widely dispersed in Ontario.[92] More recent work by Elizabeth and Gerald Bloomfield, using the 1871 census, shows that the same situation existed a decade earlier.[93] The combination of industry and general economic diversity in hinterland centres fostered capital accumulation and created a demand for banking services. Of particular significance, from the perspective of banking, was the increase in the number of centres with more than 500 people to 77. The total had been only 24 three decades before. Virtually all centres with more than 500 people were located on or near a railway by 1881, facilitating the movement of fuel, raw materials and finished products.[94] These smaller centres had strong desires for banks, and when chartered banks chose not to open branches in them, local capitalists were willing to step forward to open a private bank.

The assets and circulation of the banking system expanded in the late 1870s, but at rates far below those of the first part of the decade. This may partially explain why the private bank system expanded so quickly in a period often considered to be one of recession. Between 1868 and 1873 Canadian chartered bank assets doubled, providing an annual rate of growth of 15%. Between 1873 and 1883 the rate of growth dropped to 3%.[95] Clearly, there was growth in the economy, and the small hinterland towns seem to have enjoyed more than their share of it, but lacked adequate banking facilities to expedite their business transactions.

Between 1875 and 1885, the chartered banks closed 58 offices in Ontario, and a further 33 offices were assumed by other banks or were part of reorganized banks.[96] Major losses consisted of 12 branches of the Consolidated Bank, most of which closed in 1879, and 10 branches of the Merchants Bank, most discontinued during that bank's period of stringency in the late 1870s. The number of new branches over this period, at 57, virtually equalled the number of closures. The majority of the new offices belonged to the new upstart banks, particularly the Commerce, Hamilton, Federal and Western. The branch networks of the British North America, Montreal and Merchants Banks shrunk over the period, and the Consolidated and Exchange Banks were wound up.[97] The late 1870s present a strong contrast to the earlier years of the decade, when the Royal Canadian, Commerce and Merchants Banks led an aggressive expansion of the branch system. The Bank of Commerce in particular bore the greatest burden in establishing a profitable branch system. It leads the list for both openings and closings over the decade of the 1870s.

It is a certainty that the volatility of the branch system retarded the growth of small-town economies. Insufficient volumes of bank business in small towns may have been a factor in some of the closings, but it seems likely that ineffective branch reporting and inadequate loan supervision were at least as important. Several of the chartered banks suffered problems at their head offices largely unrelated to branch business, but nevertheless closed some of their branches during periods of retrenchment in order to retain large accounts at their head offices. That there was a demand for banking services is revealed by the number of private banks in operation by 1881. At this date there were about 130 firms in the province, outside Toronto, which derived all or a substantial portion of their revenue from banking activities, and more were joining their ranks each year. Several of these firms operated in more than one town, resulting in an overall total of private banking offices in excess of 150.[98]

The chartered bank branch system, meanwhile, stagnated at roughly its 1875 level: 178 chartered offices in Ontario, 165 of which were located outside Toronto.

It was not until 1881, when private banking had already established itself firmly in small-town Ontario, that financial observers realized that a significant trend was under way. The conventional wisdom of the time attributed the appearance of the private banks largely to the unsatisfactory economies of branch banking. In one of the early commentaries on the subject, the *Toronto Telegram* noted in 1881 that:

> Many of the chartered banks, finding that there is not business sufficient in certain places for the profitable support of branches of their institutions have closed up their offices and retired; but it is noticed that no sooner does this take place than a private bank, and in some cases more than one isolated concern, is started to fill the void.[99]

The *Telegram* editorial also noted that rules and policies, established for the management of the bank as a whole, resulted in a branch manager's inflexibility in being able to accommodate individual customers.

A few weeks later, Edward Trout, proprietor of the *Monetary Times,* offered a similar explanation for the proliferation of private banks:

> While the chartered banks have, in numerous instances, resorted to the policy of closing branches in districts where they did not pay, private institutions, for lending or receiving deposits, have succeeded them in not a few places. It cannot be doubted that, in many respects, the private banker has the advantage over the country branch of a chartered bank. His expense account alone would tell largely in this direction.[100]

The cost advantages of the private banker consisted principally of reduced salary expenses. He could operate with fewer staff than the three or four normally found in a branch bank office, and could manage the business with greater flexibility, sometimes as an ancillary to other business interests.

The extent of private banking in Ontario at the time of these observations far exceeded the impression received by the casual reader. In 1881 private banks had already achieved dominance in the number of offices in operation. Excluding the cities of Toronto, Hamilton, St. Catharines, London, Kingston and Ottawa, 151 private banking offices were transacting business, compared to 132 chartered bank branches. The emphasis placed on discontinued chartered banks by the business press was somewhat misleading: only 16 of the new private bank offices can be accounted for by the discontinuance of a chartered bank branch over the 1875-1885 period; and only 13 of these had opened at the time of the *Telegram* and *Monetary Times* articles of 1881 (See Figure 4.2). In the spring of 1881, sixty-four towns were served only by private banks; most of these had never hosted a chartered bank branch. Another 51 towns enjoyed competition between private and chartered offices. In 30 of these towns, chartered bank branches had opened before private banks, and continued to operate in competition with them.[101]

The *Telegram* editorial went on to offer comments on urban private bankers, a branch of private banking that generally went unnoticed at the time:

> That the chartered banks do not meet all the requirements of commerce is abundantly evident from the existence of private banks in such a city as this, where they not only flourish but where they meet, on the whole, satisfactorily, what is a manifest want of the industrial community.[102]

These comments indicate that the chartered banks were unwilling or unable to serve adequately some segments of the financial market, a situation which obtained both in large city and small town economies. Though the fact was not recognized by most commentators at the time, a significant proportion of the new private bankers in the years before and after 1880 opened their offices in towns already possessing chartered bank offices. The success of the majority of these offices intimates that hinterland businessmen believed that chartered bank branches were unable or incapable of serving all the financial requirements of small-town economies.

The successful cultivation of agricultural business seems to have provided many problems for chartered banks. Throughout the nineteenth century, a popular belief that the banks shunned farmers' accounts persisted in the farm regions of the

Figure 4.2

Private Banks Established After Closing of Chartered Bank Branches, 1875-1885

town	bank	year closed	private bank	manager
Bowmanville	Dominion	1881	Codd & Co.	J.A.Codd[a]
Dunnville	Imperial	1880	W.F. Haskins & Co.	
Durham	Commerce	1883	J.W. Rapley & Co.	
Lucan	Commerce	1883	R. & J. Fox[b]	John Fox
Lucknow	Hamilton	1877	J. Siddall & Son	Geo. Siddall
Millbrook	Molson's	1880	Wood, Kells & Co.	
			Millbrook Banking. Co.[c]	
Mitchell	Merchants	1879	Mitchell Banking Co.[c]	
New Hamburg	Consolidated	1877	W.J. Ward & Co.	
			Denison & Crease	Denison[ad]
Newmarket	Consolidated	1877	E. Rowland & Co.	
			R. Flood & Co.	
Paisley	Commerce	1877	Porteous Banking Co.	Robt. Porteous
Parkhill	Commerce	1882	Parkhill Banking Co.	T.L. Rogers[a]
Pembroke	Merchants	1880	Hector Fraser	Hector Fraser[a]
Trenton	Commerce	1878	J.H. Stewart	

[a]Was manager of chartered bank branch.

[b]In premises of former chartered bank.

[c]Controlled by Thomas Fawcett.

[d]Denison resigned 10 months before the final collapse of the Consolidated Bank.

[Chief Sources: Victor Ross, *History of the Canadian Bank of Commerce; Dun and Wiman Mercantile Reference Book; Monetary Times.*]

province, as did the notion that the banks accepted agricultural business only on terms detrimental to farmers.[103] Statutory regulations forbidding banks to take real estate as security tended to restrict agricultural lending by banks, because many farmers had only their land and buildings to offer. A major source of resentment by farmers, though, arose from the methods of the chartered banks: farmers resented the procedures mandated by head offices, and took offense at the prying of the local manager into their private affairs. The hayseed capitalists who set up private banks generally carried on their business in a manner much more agreeable to farmers. This fact was recognized in the commentaries on private banking published in the early 1880s.[104] One interesting advertisement, published by William Kingsley, manager of the Merchants Bank branch in Elora, warned farmers to ignore rumours that were being circulated that banks were "unwilling to deal with farmers."[105] It may be more than a coincidence that this advertisement appeared at the time Walter and Edwin Newman were preparing to open their Farmers Banking House.[106]

In a few cases, the chartered banks attempted to overcome their hinterland difficulties by appointing a local and successful businessman as manager of new branch. This was the case with J. T. Dewson of Bradford. Dewson, a graduate of Oberlin College, had gained broad experience in a wholesale dry goods business and with the engineering department of the Great Western Railway before coming to the Bradford area in 1868 to farm. He soon began a grain business on the side, and in 1873 was tapped by the St. Lawrence Bank to be the manager of its new Bradford Branch. Dewson remained in Bradford when the St. Lawrence was reorganized as the Standard Bank in 1876.[107] Under Dewson and his successor, John Eliot, this branch built and retained a large agricultural clientele. In the 1890s the branch provided a pass to farmers coming into town on the toll Bradford Road.[108] The popularity of this branch among farmers was undoubtedly the major factor in keeping other banking facilities, either chartered or private, from attempting to establish themselves in Bradford.

The major proportion of the 151 private banking offices of 1881 had been in existence for less than five years. These years had been difficult ones for the chartered banking system, with the failure of the Consolidated Bank in 1879, a major restructuring of the Merchants Bank, and reductions in capital by several chartered banks. As well, speculation in bank stocks became rampant during the 1870s,[109] a development which merited regular comment in Ontario's daily and weekly newspapers. The country's largest bank, the Bank of Montreal, which still maintained a major presence in Ontario, experienced disappointing results at its branches, closing three of them and contracting its discounts in the province. Between 1876 and 1881, the Bank of Montreal depleted its reserves by $500,000 and reduced the total of discounts on its books by 25%. At the same time, this bank increased its line of credit for Kuhn, Loeb and Co. of New York to $2,000,000 in 1880,[110] and continued to be one of the most active participants in both the New York and Chicago financial markets. Understandably, rural Ontario perceived the banking industry as the plaything of city-based speculators, and preferred to place its confidence in local bankers whom they perceived to be men of high reputation and integrity.

The chartered banks at this time suffered general difficulties with industrial and milling accounts. The latter were responsible for many of the difficulties of the Merchants Bank at its Ontario branches. Improperly supervised industrial accounts stagnated on the books of several banks: non-current sawmill and lumber accounts almost brought down the Ontario Bank,[111] and a series of industrial failures produced a crisis for the Federal Bank, revealing that bank's inability to match credit with adequate security.[112]

Admittedly, the chartered banks were impeded in their industrial lending by statutory restrictions. Warehouse receipts for grain were first authorized as security in 1859, and these provisions were extended later to other commodities.[113] The first Bank Act of the Dominion widened these provisions to include the processing of textiles and timber products, but not until the Bank Act revisions of 1890 did a full range of inventories and work-in-progress become authorized as acceptable loan security.[114] Traditional bank lending practices, based upon experience with commercial and mercantile accounts, adapted only with great difficulty to industrial business. Private bankers did not labour under these obstacles, but their small capital hindered them as a source of industrial working capital.

d: Hayseed Capitalists: Business Origins of Small-Town Private Bankers

The breakdown of the traditional Upper Canadian mercantile system, which tied hinterland merchants to Montreal and London by means of credit lines through wholesale supply houses, played a major role in the advancement of private banking. Capital accumulation by the more successful of these local merchants permitted them to diminish their connections to their major suppliers and to purchase goods from a variety of sources. The ranks of once-prosperous wholesale houses diminished over the course of the 1870s, from the collapse of the Buchanan firm at the start of the decade,[115] to the bankruptcy of D. McInnes and Co. of Hamilton in 1879. Significantly, the major creditor of the latter firm was the Bank of Montreal,[116] not the Bank of Hamilton, of which Donald McInnes was a founder and president,[117] or even an Ontario-based bank, as might be predicted from metropolitan precepts. The availability of bank credit, whether from a private bank or a chartered bank branch, accelerated the decline of the old system and its wholesale houses, and encouraged local merchants to adopt the cash system and policies of shorter credits to their customers.

Many Ontario merchants had, from an early date, shown a determination to circumvent the rigid channels of the 'Upper Canada trade.' Samuel St. John, who concluded his lengthy business career by becoming a private banker and the wealthiest citizen of St. Catharines in the 1870s, undertook in 1849 an arduous and expensive trip to New York to purchase groceries and dry goods, rather than deal with the more convenient wholesalers of Hamilton or Toronto.[118] John Horsman, a Guelph hardware merchant, began importing his goods directly from England and Scotland in the 1860s. "I save the commissions and profits of the Montreal and Toronto wholesale houses, and give the benefit of this to my customers," he advertised in 1867.[119] Horsman eventually became a wholesaler himself, serving the area to the north and west of Guelph. In Elora, E.H. Newman proposed in 1865 that local merchants pool together to hire a purchasing agent in Montreal. He had many complaints about the stock received from regular suppliers: late deliveries, price, and unpopular styles.[120] He achieved financial independence for his own store by operating a profitable conveyancing business on the side. Newman eventually left retailing to form the Newman Bros. private bank, with his brother Walter as manager, in 1873. Significantly, both Horsman and Newman were advocates of the cash system, which helped to undermine the old-time wholesalers and which aided local banking by encouraging farmers to seek their credit through bank loans rather than from big-city wholesale merchants. A.B. McCullough has linked the growth of private banking in western Canada with the emergence of a cash economy.[121] This point is equally relevant to Ontario private banking.

Circumstances, as much as opportunity, led a number of these renegade, yet successful, merchants into private banking. Anecdotal evidence shows that some of them accepted money for safekeeping from some of their customers in the 1860s and earlier.[122] In order to maintain their financial independence and attract additional working capital, these merchants-turned-bankers found it necessary to offer formal deposit accounts, and to place their customers' credit accounts on a more agreeable basis through formal loans, rather than open accounts on the books of their retail businesses. Equally important to the merchants who began to engage in banking was an efficient payments system and the need to deal easily and inexpensively in foreign exchange to pay American and foreign suppliers.

Supply of local capital, as well as demand for financial services, must be considered in the rapid expansion of private banking. Successful business ventures produced accumulating surpluses of capital for many small town entrepreneurs which could not be employed locally in their existing lines of business. This situation applied particularly to merchants. In towns with relatively stable populations and commercial sectors, expansion opportunities for existing retail businesses were severely circumscribed. Perceptive merchants recognized the growth potential of the banking industry in the 1870s and 1880s. Storekeepers increasingly sought their credit from banks rather than wholesalers, escalating the trend that many of the early private bankers had themselves initially encouraged. With the construction of hundreds of miles of branchline railways in the 1870s, drummers representing the country's wholesale houses could efficiently cover much of the province. A ready supply of bank credit permitted merchants to secure their goods from a variety of suppliers. These same railway lines enabled entrepreneurs to ship the products of small-town manufacturing industries over a wider area than previously. By 1881, manufacturing accounted for over 22% of the workforce in southern Ontario, and the factories themselves, with the exception of a high concentration in the city of Toronto, were widely dispersed among the smaller centres of the province.[123] These industries required both credit and other banking services. At the same time, capital investment in agriculture intensified,[124] and farmers began seeking credit for new implements and livestock. Long-established and prosperous merchants in smaller centres seized the opportunity to provide financial services by establishing private banks, and to secure their stature in the community by operating them successfully.

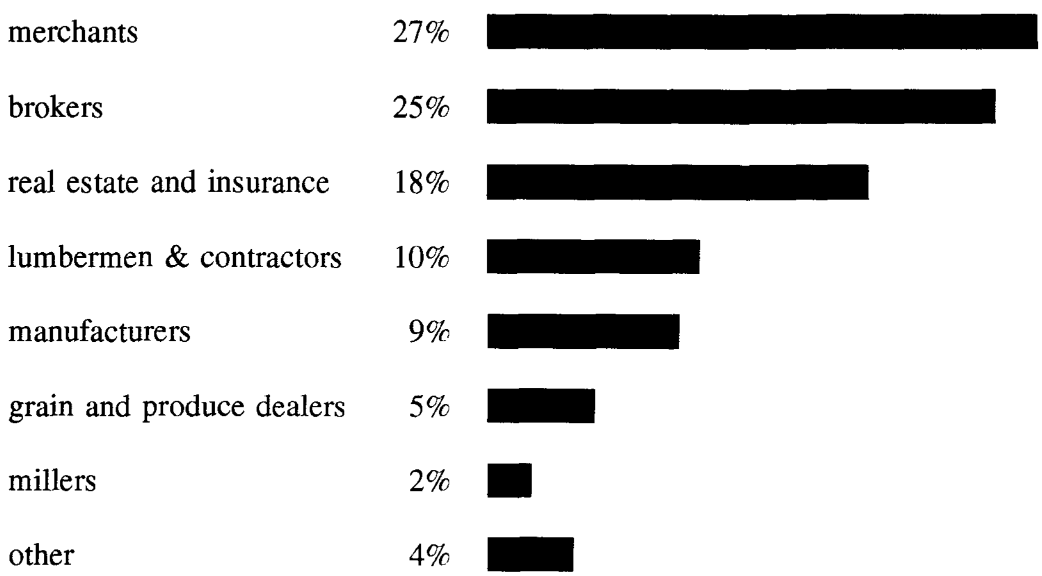
Merchants and storekeepers provided the largest proportion of Ontario's private bankers. Of those who entered private banking during the 1880s, and whose business origins can be readily traced, 27% began in the mercantile trade (See Figure 4.3). Though circumstances favoured the entry of prosperous merchants into private banking, entrepreneurs in other lines of business also had strong incentives to commence banking businesses. Almost as numerous as merchants were those who were listed as brokers in business directories. This class included a wide variety of intermediaries, dealing in commodities, merchandise and financial matters. Many had dealt in foreign exchange or mortgages extensively before assuming a full banking function. About 25% of the private bankers of the 1880s began their careers as brokers, and a further 18% in the related field of real estate and insurance. Many of the latter built their entry into private banking on experience handling mortgages and estates. The other significant sources of private bankers were lumbermen and contractors, at 10%; manufacturers, at 9%; grain and produce dealers, at 5%; and millers at 2%. Significantly, these were all capital-intensive businesses, and the entry of these entrepreneurs into banking can be traced to two factors: a need to make more effective use of working capital in businesses that experienced wide seasonal fluctuations; and a desire to reduce dependence on outside sources of financing, whether through chartered banks or mortgage lenders.

With the exception of the Rathbun Co. of Deseronto, the lumbermen who became bankers were concentrated in southwestern Ontario. These men had invariably expanded sawmill operations into the manufacturing of mouldings, sashes and doors, and had operations extending over a wide geographic area. Redmond and Hayward of

Figure 4.3

Business Activities of Businessmen Who Later Became Private Bankers
(132 individuals)

January, 1880



Explanation: These are the occupations of businessmen in 1880 who, at some point after 1880, entered private banking in the same town.

[Source: *Dun and Wiman Mercantile Reference Book,* Jan. 1880]

Stratford, with a sawmill in Grey County,[125] and Robert Agur, who was active in the area between Ingersoll and Chatham,[126] are examples; both James Redmond and Robert Agur also conducted banking operations in the 1870s. For firms such as these, the banking portion of the business aided operations over a geographically dispersed area, and their dealings in foreign exchange facilitated export operations to the United States. Curry and Co., a long-lived private banking firm in Windsor, extended their forestry operation into charcoal production, virtually all of which was exported to the United States. Their bank was involved in this and other types of cross-border commerce.[127]

Another Essex County banking firm, Gillard and Riddell, had origins in the forestry industry. Thomas Gillard began as a lumberman in Perth County, near Stratford, in the 1860s, then moved to Wallaceburg in 1870, forming the partnership of Gillard and Riddell. The firm eventually branched from lumbering into shipping, and into banking by 1888,[128] activities which undoubtedly facilitated their business across the Detroit River. The firm continued until 1895.[129]

Several of the bankers with origins in the lumber trade expanded into contracting and building, rather than exporting lumber products. The outstanding examples are the Fawcett Brothers of Strathroy and A.N. Christopher of Ingersoll. The Fawcetts operated a large planing and sawmill in Strathroy in the late 1860s, and were the major contractors during a building boom in that town after 1870. Thomas Fawcett used the profits from these activities to found his banking empire, based in Watford.[130] A.N. Christopher joined a business started by his elder brothers. They began as lumbermen in the 1850 era in Oxford and Elgin Counties, adding a sawmill and then a planing mill over the years, which supplied their contracting business. Christopher did not engage in banking formally until 1887, undoubtedly employing the profits of his previous activities to do so. He continued his private bank until his death in 1907.[131]

A more modest example is that of Frederick Schwendemain, of the small village of Drayton, about 25 miles northwest of Guelph. Trained as a carpenter, Schwendemain moved to Drayton in 1878 at the age of 26, and established a door and sash factory, along with a contracting business. Six years later, he opened a private bank in partnership with W.H. Whaley.[132] It does not appear that Schwendemain ever operated a sawmill or cut timber in the bush. Drayton was too small a town to offer opportunities for spectacular success, but Schwendemain secured some important projects, such as a major contract for the Ontario Agricultural College at Guelph. Dun's estimated the capital of the bank at between $20,000 and $40,000 in 1891.[133] For all but the first two years of its 12-year existence, Whaley and Schwendemain competed directly with a branch of the Trader's Bank.[134] Rather than establishing a private bank on the profits of a lumber and contracting business, as was the case with men such as Agur, Curry and Christopher, Frederick Schwendemain depended on the simultaneous prosperity of his banking, contracting and planing mill businesses.

Fewer than 10% of Ontario's private bankers had origins in the manufacturing sector. Considering the success of manufacturing in Ontario during the 1880s and 1890s, this figure, at first glance, may seem low. However, it is likely that manufacturers saw larger opportunities in reinvesting their profits in their own businesses than in outside applications. As well, manufacturing involved large amounts of fixed capital, in contrast to other sectors, particularly the commodities and lumber businesses, where amounts of working capital could vary seasonally and cyclically.

Tanners and carriage makers seem to be over-represented among the ranks of bankers. The most prosperous of the tanners with a banking interest was James Macklem of Chippawa. In addition to his tannery, which produced belting for lineshaft drive systems in factories, Macklem had an interest in the Macklem and McGlashan distillery, and members of his family were in the grocery and dry goods business.[135] Little is known of his banking activities, though he is listed consistently as an exchange broker and banker in directories between 1871 and 1914. In the late 1850s Macklem had served as manager of the Bank of Upper Canada's short-lived office in Clifton.[136] His location on the Niagara River suggests that he was involved in cross-border business, and provided his own banking facilities to support this activity, as well as his numerous other business interests. Dun's estimated his capital at between $75,000 and $125,000 throughout the 1880s, an increase from the $30,000 range in 1873. By 1891, Macklem listed himself simply as a "capitalist."[137]

The sale of a cooperage and cheese box factory for $8,000 permitted the firm of Robinson and Robertson of Harriston to enter the banking business in 1879, under the rather pompous style of "The Bank of Harriston."[138] Though this factory had ranked as one of the larger manufacturing businesses in Harriston at the time, it was not the only activity of the partners. The Robinson family owned both mills and retail businesses. Samuel Robertson and his son John published the local newspaper and had other investments.[139] In 1881 the firm established a branch bank in Mount Forest, under the management of John Robinson.[140] On the withdrawal of John Robinson and the closure of the Mount Forest branch in 1884, the firm operated as Samuel Robertson and Son,[141] but only survived about two years.

Undercapitalization may have contributed to the bank's demise, and competition was a factor as well: the Standard Bank, continuing the branch established by the St. Lawrence Bank in 1874, built a solid business in Harriston through the late 1870s and early 1880s. Perhaps more important causes of the demise of Samuel Robertson and Son were the firm's association with the tottering Federal Bank, and the locking up of a large portion of their assets in local real estate.[142]

Overall, manufacturers proved to be a very minor factor in the overall progress of private banking in Ontario. Many of the manufacturers who entered banking, like Robinson and Robertson, had only minor industrial investments, and spread their capital over other activities. W.W. Farran of Clinton is an example of the latter. He held a major share in the agricultural implement firm of Farran, MacPherson and Hovey; at the same time he dealt extensively in real estate, raised pure-bred livestock, bid on railway construction projects, and held partnerships in the Farran and Tisdall bank in Clinton and the Farran and Archibald bank in Elora.[143]

It would be fair to assume that many private bankers believed it imprudent to devote an inordinate amount of their time, or their capital, to local industrial ventures, preferring instead to deal with these businesses as customers of their banks, rather than as a business partners. Occasionally, though, private bankers invested heavily in a local industry. The Glencoe Agricultural Manufacturing Co., a joint stock company formed in 1882, had the two local private bankers as directors and major shareholders: George Harrison, of Harrison and Rathburn, and Wilmot Swaisland of W. Swaisland and Co.[144] In Elora, James Archibald, of the banking firm of Farran and Archibald, invested heavily in a flax plant in partnership with a local furniture manufacturer. The failure of the venture impoverished Archibald, forcing his withdrawal from the bank. This example demonstrates that investment in industry could also lead to a private banker leaving the banking field.[145]

In several cases, the second or third generation of an industrial family set up the private bank. This was the case with the McTaggart family of Clinton.[146] Malcolm McTaggart began manufacturing fanning mills in Clinton in the late 1850s.[147] By the late 1870s, his firm had become the largest fanning mill manufacturer in the province, employing 20 men and turning out over 600 machines per year.[148] Much of the success of this firm can be attributed to the marketing methods of its owner. Both

McTaggart and his salesmen visited farmers in Huron and adjoining counties, demonstrating the McTaggart fanning mill. When they secured a sale, they offered time payments to the purchaser, usually over a period of three years.[149] In effect, McTaggart and Co. offered a banking service to their customers outside the regular banking system. Despite the fact that this marketing system tied up large amounts of working capital, the firm remained financially sound and prosperous: Dun and Wiman in 1878 placed the capital of the firm in the $40,000 to $75,000 range, and gave them their highest credit rating.[150] McTaggart achieved this success despite the fact that he suffered a major loss in a failed flour mill. He was consistently recorded by Dun, Wiman and Co. as the wealthiest businessman in Clinton from 1869 until his death, and his personal appeal was so strong that he was several times offered a candidacy for the federal house, twice at the urging of Sir John A. Macdonald.[151]

Malcolm McTaggart died in 1891. In addition to the credit he advanced through his factory, he may well have acted as a private money lender in his later years, in view of his considerable financial strength. In any case, his son, George D. McTaggart, established a formal private bank soon after his death.[152] At the time of his father's death, George was serving as the manager of the Molson's Bank branch in Morrisburg.[153] On his resignation from Molson's Bank, he received a personal letter from the general manager, Wolferstan Thomas, wishing him well in his new venture.[154] It may be more than a co-incidence that Molson's Bank had operated a branch in Clinton since 1880, which remained the only chartered bank branch in the town until 1902. It is a virtual certainty that Malcolm McTaggart had had dealings with Molson's Bank, and likely that George McTaggart enjoyed cordial relations with it after he opened his private bank, though details of his correspondent connections have not survived.

George McTaggart's successful entry into private banking is a prime example of the transfer of capital from a mature or even a declining manufacturing business to a private bank. George McTaggart built on the name and goodwill established among farmers by his father over a thirty year period. George's younger brother, Malcolm D., joined the bank as a partner in 1905, and took over the bank in 1927 when George retired. This was one of the last of Ontario's private banks, surviving until April 1932, when Malcolm D. McTaggart sold out to the Bank of Montreal.[155]

No group of businessmen were in a more favourable situation to move into private banking than grain and produce dealers. As Ontario's cereals production increased, local dealers handled greater quantities of both grain and money, and had to do so with increasing efficiency. Farmers had money to deposit, for both short and long terms, after selling grain. These deposits could be used by the grain merchant to supplement his own working capital. At other times of the year, the same farmers could be borrowers. The absence of chartered banks in most of the smaller centres provided local grain dealers with a superb business opportunity.

This situation applied to Duguld and Malcolm Campbell, of Watford, in the 1870s. The Campbell brothers had started a general retail business in 1869. Soon they were dealing in grain and seeds. The banking functions evolved through the 1870s; by 1877 a full private bank was in operation, under the management of Duguld Campbell.[156] Malcolm Campbell managed the grain operation,[157] with hired clerks looking after the store. As might be expected, the Campbell brothers favoured the cash system of trading, and in 1879 led five other Watford merchants in a movement to switch the trade of the village to a cash system.[158]

A similar pattern characterized the business history of George A. Mihell of Ailsa Craig. From a partnership in the grain dealing firm of Mihell and Alexander in 1865, he progressed to a grocery store and grain business by 1869. By 1877 he dealt in the grain market exclusively, under the style of Mihell and Co., the major partner being J.T. Owen.[159] Firms such as this evolved slowly into banking, and it is difficult to establish the date at which banking became their dominant activity. The earliest reference to Mihell as a private banker appears in the Dun, Wiman and Co. *Mercantile Reference Book* of January 1880.

Grain dealing was only one of the numerous business activities engaged in by the Hay brothers of Listowel. Members of the family operated retail stores, a wagon factory, and the first flour mill in Listowel,[160] but their activities on the grain market took in a wider geographic area, and in the late 1870s the brothers had branches in Chesley and Tara. All three offices engaged in private banking by 1881.[161] Chesley seems to have been the location of their first private banking office, probably due to the absence of other banking facilities there at the time.[162] The Chesley office was also the first to close: they sold the banking business there to J.H. Elliot, whose status as Chesley's pre-eminent businessman parallelled that of the Hay brothers in Listowel.[163] Though the Hays did not operate a full service private bank until the late 1870s, they had been engaged in financial activity for some time previous. The senior member of the family, D.D. Hay, had been involved in railway promotion in the 1860s, and advertised a money lending business as early as 1869.[164] The Tara office of Hay's Bank also closed soon after the Chesley office. Like Chesley, this may have been a sale: Whitford Vandusen, a teacher turned prosperous merchant and produce dealer, began a private bank there in 1884.[165] Vandusen seems to have had a toe in the banking business for some time before this. In 1867 he advertised "cash advances on potash, butter, etc."[166]

The decision of the Hay brothers to confine their banking business to Listowel probably resulted from a decision to restrict the bulk of their limited capital to the grain business. Their Listowel banking office closed about 1887,[167] but the Hay brothers continued to be active players in the grain business in Perth County until the early twentieth century, and were still operating a grain elevator at Kenilworth, in neighbouring Wellington County, in 1906. Activity generated at Kenilworth by the Hay elevator and a cattle dealer was sufficient to prompt the Royal Bank to operate a sub-branch there two days per week.[168]

About 5% of private bankers had their origins as full time grain and produce dealers, but this figure underestimates the importance of the grain market in the expansion of Ontario private banking. A significant number of small-town merchants engaged in grain market activity as a sideline on their progression into private banking. Generally, these were the most successful and wealthiest merchants in their communities. Overall, personal means and relative financial standing in the community are the best predictors of a businessman's entry into both grain dealing and private banking.

Hinterland businessmen such as the Campbell brothers, the Hay brothers, George Mihell, J.H. Elliot and Whitford Vandusen all shared origins in retailing. All dealt in grain before becoming private bankers, some full-time, some only as a sideline. All were the most prosperous businessmen in their towns, though in most cases their wealth would not be considered immense by urban standards.

Robert Porteous of Paisley engaged in grain buying through the early 1870s, but this was only a small part of his business activity. Porteous had moved to Paisley in 1858, and established a successful general store, eventually opening a branch in Chatsworth.[169] Porteous did well during the general depression of the 1870s. Dun, Wiman and Co. raised their estimate of his worth from the $10,000-$20,000 range to the $40,000-$75,000 range between 1873 and 1877; by the latter date he had the highest rating in Paisley.[170] The Canadian Bank of Commerce opened a branch in Paisley in 1875, but closed it two years later due to an insufficient volume of business,[171] the result of "faults in the manner of the agent," according to one account.[172] Immediately on the closing of the Bank of Commerce, Robert Porteous stepped into the breach and opened a private bank, with an impressive moniker: The Porteous Bank of Canada.[173] He soon adopted the more modest 'Porteous Banking House.' Later, when he took in his manager as a partner in 1883, the firm operated as Porteous and Saunders. After entering banking, Porteous began to divest himself of his other business interests. He sold his store in 1878, and following a brief involvement with a woolen mill, abandoned manufacturing.[174] The Porteous Bank continued until the proprietor's death in 1896, competing successfully during its last 10 years against a branch of the Western Bank of Canada.[175]

The course of Robert Porteous's business career, from merchant to entrepreneur to banker proprietor, follows closely that of the typical small town private banker. Porteous used his bank to consolidate and build his fortune in a community that offered few other opportunities for economic growth. The strong identification of men like Porteous with the overall interests of their towns discouraged them from expansion of their banking activities to other communities. Certain bankers deviate from this pattern; most of these focused their business on activities that inherently covered a broad geographic area: lumbermen whose search for new stands of timber took them far from their main offices; grain dealers who bought produce and shipped it at several railway stations; and manufacturers with plants in more than one locality. For this class of private bankers, banking served an ancillary function to their other activities. The Hay brothers of Listowel serve as an example. They were first and foremost grain dealers, and operated private banking offices only when no alternatives existed.

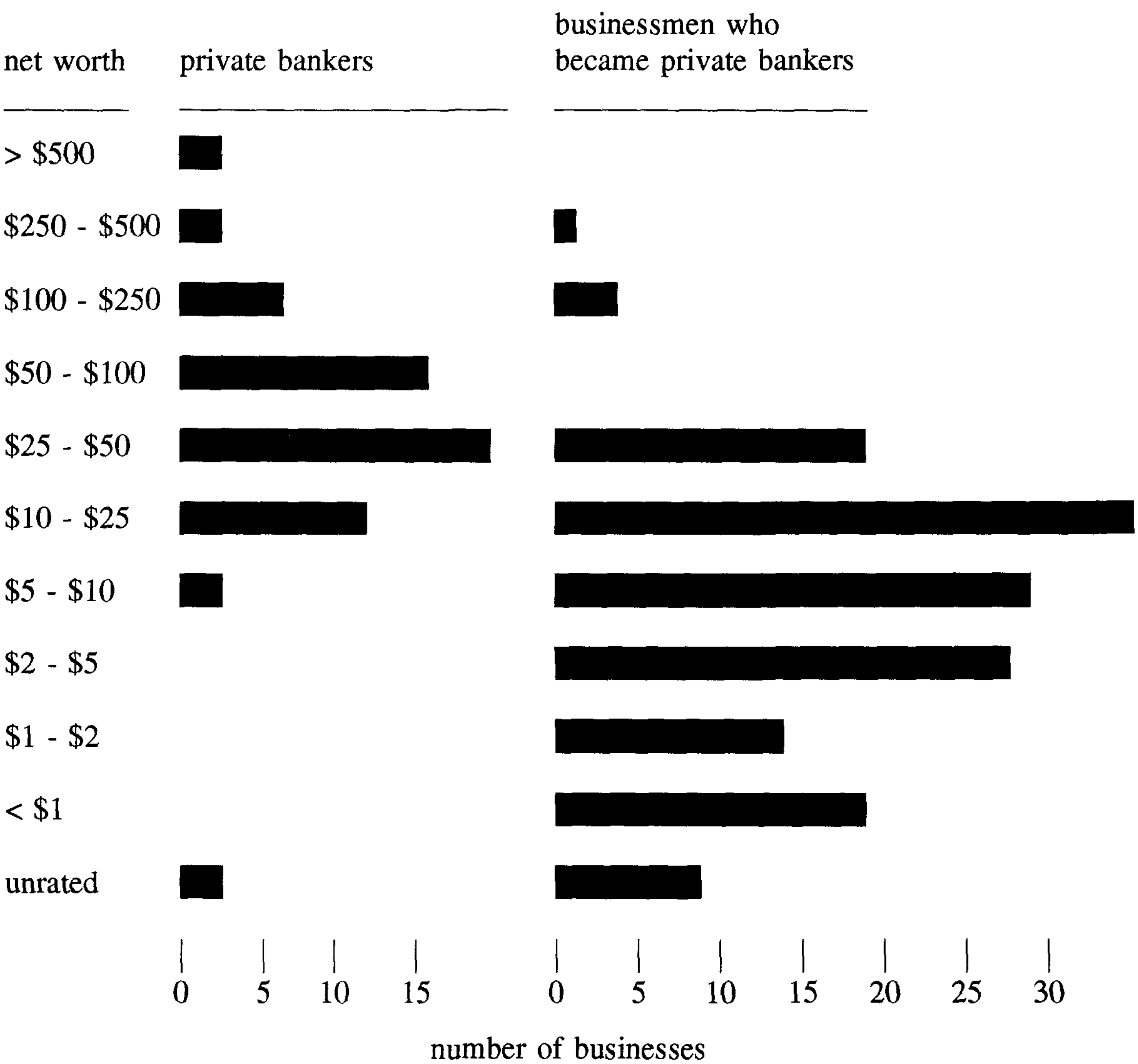
The operation of a successful private bank required more capital than other business ventures. This fact restricted entry into private banking, and explains that an entry into banking culminated the business careers of prosperous small-town

Figure 4.4

Net Worth of Ontario Private Bankers
and Net Worth of Businessmen Who Later Became Private Bankers

January, 1880

(Thousands of dollars)



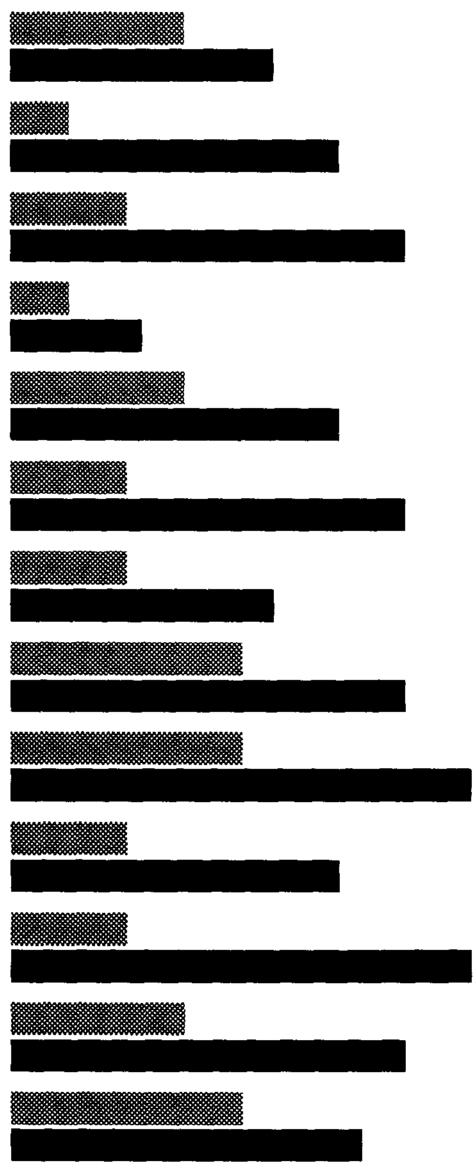
[Source: *Dun and Wiman Mercantile Reference Book*, Jan. 1880]

Figure 4.5

Increase in Net Worth of Private Bankers,
Ontario Small Towns, 1869 - 1880

(Thousands of dollars)

	1869	1880
S.F. Gardiner, Chatham	$5 - $10	$10 - $25
W.P. Newman, Elora	$1 - $2	$25 - $50
J.W. Scott, Listowel	$2 - $5	$50 - $100
R. Fox, Lucan	$1 - $2	$2 - $5
R.H. O'Neil, Lucan	$5 - $10	$25 - $50
E.D. O'Flynn, Madoc	$2 - $5	$50 - $100
J.A. Halsted, Mount Forest	$2 - $5	$10 - $25
Robert Porteous, Paisley	$10 - $25	$50 - $100
J.H. Fairbank, Petrolia	$10 - $25	$100 - $250
M. Fleming, Sarnia	$2 - $5	$25 - $50
Alex Johnston, Strathroy	$2 - $5	$100 - $250
L.H. Smith, Strathroy	$5 - $10	$50 - $100
James Manson, Strathroy	$10 - $25	$25 - $50



[Source: *Dun and Wiman Mercantile Reference Book,* Jan. 1869; Jan. 1880] capitalists. Private bankers, in general, had a far higher capital base than other small-town businessmen. Those already in banking in 1880 possessed more capital than businessmen who would later enter banking themselves (See Figure 4.4). The median financial strength of private bankers fell into the $25,000 to $50,000 range in 1880, while the median worth of businessmen who would enter banking later in the decade was in the $10,000 to $25,000 range. Further, Dun, Wiman and Co. rated no private banker below $5,000 in net worth in 1880, while more than half the future bankers fell into the categories below $5,000.

A most striking feature of the Dun ratings in 1880 is the increase in the financial strength of the early private bankers, those who entered the field in the late 1860s and early 1870s (See Figure 4.5). All moved up at least one category, and several three or four categories. The success of the small-town bankers exceeded by a wide margin that of the private bankers in the cities and larger towns in the same period (See Figure 3.4). Admittedly, there is no guaranteed accuracy to the Dun ratings, but these figures indicate that private bankers, through the 1870s, were able to at least double their capital. The gains apply both to bankers with no outside business interests (W.P. Newman of Elora and Michael Fleming of Sarnia, for example) and those for whom banking was a part-time activity (Robert Porteous and his grain business and J.H. Fairbank and his hardware and oil interests, for example). In some cases, private bankers must have secured capital from sources outside their businesses, perhaps by inheritance. When Alex Johnston began his private bank in 1868, his worth was estimated at $2,000 to $5,000. Five years later, his rating had risen to the $50,000 to $100,000, an improbable gain for even the most astute banker. Despite the economic conditions of the 1870s, it appears that at least some small town economies experienced sufficient vitality to allow their bankers to accumulate capital at an impressive rate. The figures also suggest that private bankers reinvested their earnings in their businesses, rather than exhausting them on personal expenditures. By 1880 the private bankers who had begun the industry in the late 1860s and early 1870s had become a prosperous and readily identifiable group of capitalists. Most of this group rated the highest financial standing in their communities. Their example no doubt inspired others to enter the field of private banking. Some of the new entrants were well-established businessmen like themselves. Others possessed small capital and ability, but great ambition and avarice. The latter contributed to the over-expansion of private banking in the early 1880s that led to a major crisis in Ontario private banking.

e: Private Banking as a Vocation

An extraordinary circumstance of the Ontario private banking industry was the concentration of future bank proprietors in Strathroy in the early 1870s. Strathroy, as previously noted, was the home of Alex Johnston, widely touted as the first private banker in Ontario. By the end of the decade, a significant number of Johnston's colleagues in Strathroy's business elite had set up private banks in small towns across Ontario. This group included A. H. Kittredge, a pork packer and self-styled capitalist, whose family opened banking offices in Teeswater and Acton; Dr Alex McTaggart, a foot-loose medic and proprietor of banks in Parkhill, Tilsonburg and Brussels, along with lumber investments in Alabama; B.S. O'Neil, who abandoned dry goods in Strathroy for banking in Exeter; W.H. Elliot, the major partner in the Ridgetown Bank; and A.N.C. Black, who gave up hardware in Strathroy for a bank in Dutton. Most important of the group was Thomas Fawcett, Strathroy's leading contractor, who in 1874 began a banking empire based in Watford that at its peak directly controlled a dozen banking offices, and indirectly financed several more.[176]

No explanation for this concentration of future bankers in one small town can be documented from contemporary sources. Some of these men may have been supported financially by Johnston in setting up new banks. This explanation is not plausible in the cases of Fawcett and Kittredge, whose personal means equalled that of Johnston.[177] Fawcett and Kittredge probably received encouragement from Johnston in the course of their contact as leaders of Strathroy's business elite, and advice in the management of a private bank. In at least one case, a Johnston's Bank employee transferred to a Fawcett bank office.[178]

Thomas Fawcett may not have been the first private banker to operate a branch, but he was the first to develop systematically a chain of them. His first office, and the eventual headquarters of the empire, was opened in Watford in 1874. In 1876 and 1877 he added offices in Alvinston and Arkona, with the bulk of the chain in operation by 1881. Fawcett's rapid expansion of his banking empire occurred after 1876, when Charles Livingstone joined him as a partner in several of the offices.[179]

A notable characteristic of the bankers employed in Fawcett's chain, as well as the Strathroy expatriates in general, is that none possessed roots in the towns in which they set up their offices. Fawcett's method of developing his chain was explained shortly after its collapse in 1884, by the general manager of a chartered bank to a reporter:

> His system was to take respectable young men with means from their father's farms in the country and train them to the business in his own office. When they had sufficient experience he would start each in a town where there was no bank, and would deposit a certain sum, say $5,000 or $10,000,with the young man, which he might have himself to operate on.[180]

In practice, Fawcett's banking empire was united through his capital investment in the various semi-autonomous offices, rather than by functional connections. His relationship with and involvement in each individual office seems to have varied, depending on the financial strength and experience of the local manager. There was no system of reporting by the branches to the nominal head office in Watford, and different systems of accounting were in use at each office, though all were on the double entry system, with the extraordinary exception of the Watford office.[181] The loose supervision of the Fawcett-controlled banks, combined with their relatively low level of capitalization, eventually led to the collapse of the empire in 1884.

Chains of private banks eventually became quite common in Ontario. The total exceeded 50, involving over 150 individual offices, or about a quarter of the all-time total of private banking offices. The Fawcett model was not imitated by others. Virtually all private banking chains comprised only one to three branches apart from the main office. In most cases, the second and third offices of a private banker were located in communities relatively near the original office. Some were open only one or two days a week, a practice also used by chartered banks with some of their sub-branches. The Hay brothers of Listowel may be considered an early example of this type of chain. Like the Hay's branches, the second and third offices of other bankers tended to be short-lived.

Two exceptions to this general rule can be found: the empires of J.C. McKeggie, and the more complex network operated by J.W. Scott of Listowel and J.A. Halsted of Mount Forest. McKeggie opened his first office in Barrie in 1879,[182] and a year later had his first branch, in Stayner.[183] The expansion of his network beyond two offices did not occur until the 1890s, with branches in Creemore, Elmvale and Aurora,[184] ending with Coldwater in 1898.

The Scott/Halsted network was larger, with an all-time total of 10 offices, though no more than seven were ever open at one time. James A. Halsted began his career as a private banker in Mount Forest in 1877.[185] Little is known of his background or sources of capital, other than that he was involved in retailing in Listowel in the 1860s.[186] His family could not boast of deep roots in the Mount Forest area, though he was a senior member of the town's business community. Halsted moved quickly in establishing additional offices in Walkerton and Orangeville, both of which were short-lived. Halsted seems to have attempted to fill a void created by the closing of the Merchants Bank in Orangeville in 1878. Walkerton, with strong branches of both the Merchants and Commerce, remained one of the few southern Ontario towns never to support a successful private bank. Halsted achieved better success in 1880, when he opened offices in Durham and Shelburne.[187]

The latter offices opened as J.A. Halsted and Co., the "Co." being John W. Scott of Listowel, who had started one of Ontario's early private banks there in 1873.[188] Scott was one of the dominant businessmen in his town, a position he shared with the Hay brothers. University educated, Scott had farmed briefly before entering retailing in 1862, with J.A. Halsted, his future banking partner. This first partnership lasted only briefly. Scott's success in retailing led to investments in grist and saw mills before he became a banker. His original branch offices consisted of Palmerston, opened about 1879, and Clifford, dating from about 1882.

James Halsted and John Scott renewed their partnership in late 1879, when they made plans to open the Durham banking office, under the name of J.A. Halsted and Co. For a time, Halsted continued to operate his Mount Forest and Shelburne offices under sole proprietorship, and Scott always operated the Listowel, Clifford and Palmerston offices under his own name. Nevertheless, the two men endorsed one another's notes when they borrowed from the Merchants Bank, and they were reported together by credit rating agencies.[189] Only the Wingham office, open between 1890 and 1896, operated under the name Halsted and Scott. The last office in this chain, in Atwood, commenced under Scott's own name about 1895.

The seemingly awkward capital structure of the Scott/Halsted banking network actually strengthened their business from a managerial aspect. Each partner had only three or four offices under his direct control, and these were divided geographically, with Halsted in the east and Scott in the west. Together, they had a stronger capital base, useful when borrowing from chartered banks. They were also able to distribute the risk of a failure by a major customer at one office, and could move assets around their system to accommodate fluctuations in local economies.

Though he had some experience as a merchant, James Halsted is a good representative of the vocational private banker, building a prosperous business in towns where he had no community roots. A large part of Halsted's success can be attributed to his ability to attract and retain skilled employees. For example, Fred Silk, who managed his Shelburne branch from 1890 until 1904, was the scion of a prominent Simcoe County family, and took part in numerous civic activities and business ventures in Shelburne.[190] In short, Silk acted the role of the typical small-town private banker, though he was only an employee. Two other Halsted employees, J.F. Miller and A.E. Smith, became private bankers on their own account.[191]

Though less the vocational private banker than James Halsted, John Scott seems to have devoted the majority of his time to his banking offices after 1880. One of his management methods was to employ family members: E.K. Scott served as manager of the Clifford branch.[192] Scott had divested himself of his store when he started his bank in 1873, but he did continue with outside business interests, serving as president of the Listowel piano factory and as a director of the British Mortgage and Housing Co. of Stratford.[193] There is no evidence that Scott took an active role in the management of these businesses.

Private bankers who operated networks and chains of offices tended to be vocational private bankers, trained in the offices of other private banks or chartered bank offices. Those who had other business interests usually pushed these activities to the side in order to supervise their various banking offices. Obviously, a banker who opened a second office was a newcomer in that town, though his name might be known by reputation. The rapid success of these vocational private bankers is an indication of the fluid and often flourishing state of small-town Ontario economies in the latter part of the nineteenth century. It seems to have been easy for a newcomer to establish a reputation for honesty and business ability to the extent that the local business community would trust him with their savings and business secrets. While the majority of private bankers had their feet firmly planted in their communities and their hands actively involved in the local business community, this was not always the case.

REFERENCES FOR CHAPTER IV

[1]Sir Edmund Walker, quoted by Victor Ross, *The History of the Canadian Bank of Commerce,* Vol. II (Toronto, 1922), pp. 72-4.

[2]*Cobourg World,* 11 July 1873.

[3]All ratings are from Dun, Wiman and Co., *Mercantile Reference Book,* V, Jan. 1869 (Montreal, 1869).

[4]*Stratford Beacon,* 8 Oct. 1869.

[5]*Perth and Waterloo Counties Directory, 1870,* p. 118.

[6]*Monetary Times,* 1 Dec. 1876.

[7]These were the Atlas Loan Co., the Elgin Loan Co., the Southern Loan and Savings Co., and the Star Loan Co.

[8]*Elgin and Norfolk Counties Directory, 1865-66.*

[9]Dun, Wiman and Co., *Mercantile Reference Book,* Jan. 1869.

[10]W.C. Miller, *Vignettes of Early St. Thomas* (St. Thomas, 1967), p. 328.

[11]*Ontario Directory, 1899.*

[12]*Elgin and Norfolk Counties Directory, 1865.*

[13]*Elgin County Atlas, 1877.*

[14]*Stratford Beacon,* 11 Jan. 1884; *Canada Directory, 1864; Cobourg World,* 11 July 1873. Burn advertised that all deposits were invested exclusively in bank stocks.

[15]*Monetary Times,* 13 Nov. 1874; *Northumberland and Durham Counties Directory, 1880.*

[16]*Port Hope Times,* 30 Oct. 1879.

[17]*Northumberland and Durham Counties Directory, 1865.*

[18]*Monetary Times,* 4 Jan. 1874.

[19]Strathroy *Western Despatch,* 29 Aug. 1883; *Clinton New Era,* 1 June 1883.

[20]*Monetary Times,* 22 Mar. 1878.

[21]*History of the County of Middlesex* (London, 1889), p. 440.

[22]*Clinton New Era,* 7 July 1881.

[23]Clinton *Huron Herald,* 8 July 1881.

[24]*Canada Directory, 1864;* W.N. Clarke and J.G. Esler, "The Bank of London, in Canada," undated ms., Regional Room, University of Western Ontario.

[25]*Stratford Beacon,* 11 Jan. 1884. Mowat began claiming "est. 1863" in his advertisements in 1883.

[26]Strathroy *The Age,* 26 Aug. 1870.

[27]*Stratford Beacon,* 8 Oct. 1869.

[28]*Monetary Times,* 13 Nov. 1874. The item noted that Mowat was opening a banking and exchange office, and intended making collections a specialty.

[29]Manson's first advertisement as banker and broker appears in the Strathroy *Age,* 5 Nov. 1875; he was advertising as a money lender as early as 1870. Adding to the confusion is the claim in a later advertisement in the Strathroy *Age* of 14 Nov. 1892 that the business was established in 1872. *The History of the County of Middlesex,* published in 1889, asserts that Manson's bank was opened in 1867.

[30]The name of this town was originally spelled Petrolea, and was changed officially to Petrolia in 1874. The latter spelling is used here for the sake of consistency.

[31]*History of the County of Middlesex,* p. 440.

[32]The major work on J.H. Fairbank's lengthy business career is Edward Phelps, "John Henry Fairbank of Petrolia (1831-1914): A Canadian Entrepreneur," M.A. Thesis, University of Western Ontario, 1965. Details of the Vaughn and Fairbank firm are from this source, unless otherwise noted.

[33]Phelps, "John Henry Fairbank," p. 69; 297. The commencement date of the bank is confirmed in a co-partnership agreement signed on 21 June 1870, and filed at the Lambton County Registry Office on 23 June 1870.

[34]*Petrolia Advertiser,* 11 Feb. 1914.

[35]Dun, Wiman and Co., *Mercantile Reference Book,* Jan. 1869. Barclay's estimated financial strength was given as $5-10,000. Both J.H. Fairbank and Leonard Vaughn had an estimated net worth of $10-25,000 at this time.

[36]Victor Lauriston, *Lambton's Hundred Years* (Sarnia, 1950), p. 150-51, asserts that Fairbank carried on a banking business in Oil Springs during the boom years. Jean Turbull Elford, *A History of Lambton County* (Sarnia, 1967), p. 59, notes that a Bank of Montreal agency existed in Oil Springs in 1864, and makes no mention of any private bank in the town at that time. Phelps notes that up to the time he formed Vaughn and Fairbank, J.H. Fairbank had dealt with the Bank of British North America branches in London and Sarnia.

[37]Petrolia Directory listing for 1870, republished in *Petrolia Advertiser,* 7 Oct. 1914.

[38]*Kent, Lambton and Essex Counties Directory, 1866-67,* p. 307.

[39]Edward Phelps, "John Henry Fairbank," p. 69.

[40]*Lambton County Directory, 1877.*

[41]Strathroy's Bank of Commerce branch has been open continuously since 1868. The St. Lawrence Bank set up a Strathroy branch in 1873 which closed two years later. The Federal Bank opened in Strathroy in 1876; on its failure in 1888 the branch was taken over by the Traders Bank. The Bank of London set up in Watford in 1885; when it failed in 1887 the branch business was taken over by the Traders Bank, which closed in 1890. Wyoming had no chartered banks in the 19th century.

[42]*Lambton County Directory, 1877.*

[43]Campbell Bros. to Kenneth Campbell, Chatham, 5 Feb. 1879, collection of the author.

[44]*Oxford County Directory, 1869; 1870.*

[45]*Ingersoll Chronicle,* 30 Nov. 1871. R.A. Woodcock conducted a business in U.S. exchange and American treasury notes from the Post Office Bookstore.

[46]*Ingersoll Chronicle,* 31 July 1873; 29 June 1876.

[47]*Ingersoll Chronicle,* 4 Jan. 1877. The building housed two more offices on the second floor and a public hall on the third.

[48]*Kent County Directory, 1880.*

[49]*Oxford County Directory, 1897.*

[50]Victor Lauriston, *Lambton's Hundred Years,* p. 31.

[51]*Kent, Lambton and Essex Counties Directory, 1866.*

[52]Jean Turbull Elford, *A History of Lambton County,* p. 40. Alex Vidal, the Bank of Upper Canada agent, was retained by the Bank of Montreal.

[53]*Kent, Lambton and Essex Counties Directory, 1866,* pp. 307, 311. The Howell firm advertised as a "Banking and Exchange Office--refer to all Detroit banks and bankers."

[54]*Petrolia Advertiser,* 16 Jan. 1885; *Petrolia Topic,* 27 July 1884.

[55]The earliest Fleming advertisement noted in the *Sarnia Observer,* is dated 6 Dec. 1872.

[56]Victor Lauriston, *Lambton's Hundred Years,* p. 89.

[57]*Sarnia Observer,* 3 Oct. 1884.

[58]N.F. Morrison, *Garden Gateway to Canada* (Toronto, 1954), p. 115.

[59]Details of the failure were printed in several Ontario weekly papers. See, for example, Walkerton *Bruce Herald,* 30 June 1877.

[60]Financial details are from a printed list of creditors, McGregor & Bro., Bankers, Private Banking Collection, Currency Museum, Bank of Canada, Ottawa.

[61]Walkerton *Bruce Herald,* 30 June 1877.

[62]The Merchants Bank did not lay down a formal private bank policy until 1882, when they specified margins of 25% on private bank security, and placed an upper limit of $30,000 on lines of credit. See Directors Minutes, Merchants Bank of Canada, Public Archives of Canada, Ottawa.

[63]*Monetary Times,* 22 Feb. 1878.

[64]*Monetary Times,* 1 July 1887.

[65]N.F. Morrison, *Garden Gateway to Canada,* p. 193.

[66]David M. Beattie, *Pillars and Patches along the Pathway: A History of Nichol Township* ([Fergus, 1984]), p. 36.

[67]*Monetary Times,* 17 Sept. 1869.

[68]*Fergus News Record,* 4 Feb. 1870.

[69]David M. Beattie, *Pillars and Patches,* p. 36.

[70]Beattie Bank Papers, Wellington County Museum and Archives, Fergus, Ont.

[71]George D. Fergusson, who had been the Bank of Montreal agent through the 1860s, continued as manager in the 1870s. John Cadenhead worked as teller at the bank, and was probably the only full-time employee. Fergusson, the son of Hon. Adam Fergusson, the Reform leader, had a number of business interests in Fergus and was also served as president of the Wellington, Grey and Bruce Railway. After the Bank of Montreal closed he continued with a real estate and agency business, and listed himself as a private banker in the late 1880s. See *Wellington County Directory,1871;* Ariel Dyer, *The Laird of Woodhill* (Fergus, 1983).

[72]The Fergus office was originally for "deposit and circulation only," and was always under the direction of the Elora manager, who spent several hours each week there, with routine matters under the control of the teller, George Ritchie. The erratic branch policy of the Merchants Bank is demonstrated by their purchasing a building for the Fergus office only nine months before it was closed. See Directors Minutes, Merchants Bank of Canada, Public Archives of Canada, Ottawa.

[73]In the 1890s, one quarter of Beattie's liabilities were to the Bank of Montreal. *Elora Express,* 19 Aug. 1897.

[74]Elora *Backwoodsman,* 24 Feb. 1853; *Elora Observer,* 8 July, 1870; E.H. Newman to Western Permanent Building Society, 30 Jan. 1860, collection of the author.

[75]*Elora Observer,* 29 Oct. 1869.

[76]*Elora Observer,* 8 Feb. 1872.

[77]*Elora Observer,* 11 July 1873.

[78]Newman Papers, Wellington County Museum and Archives, Fergus, Ont.

[79]John Connon, *The Early History of Elora and Vicinity* (Fergus, 1930), pp. 43, 70.

[80]The Elora Merchants Bank branch ceased advertising locally in 1878, and closed the office. See *Monetary Times,* 25 June 1880; *Elora Lightning Express,* 5 Sept. 1878.

[81]Directors Minutes, Merchants Bank of Canada, Public Archives of Canada, Ottawa; Steve Thorning, "Valuing Our History," *Elora Sentinel,* 15 Jan.; 19 Feb.; 12 Mar.; 30 Apr.; 7 May; 2 July; 23 July 1991.

[82]*Elora Express,* 12 May 1881.

[83]Elora *Lightning Express,* 6 June 1881; Clinton *New Era,* 7 July 1881.

[84]*Elora Express,* 17 May 1899.

[85]*Elora Express,* 19 Oct. 1904.

[86]*Lambton County Directory, 1877.*

[87]Strathroy *The Age,* 26 Aug. 1870.

[88]Jean Turnbull Elford, *A History of Lambton County,* p. 27.

[89]*Forest Free Press,* 3 June 1909.

[90]Strathroy *The Age,* 5 Nov. 1875.

[91]L.H. Smith, Forest, to Bank of British North America, Brantford, Private Banking Collection, Currency Museum, Bank of Canada, Ottawa.

[92]Jacob Spelt, *Urban Development in South-Central Ontario* (Toronto, 1972), pp. 106-8.

[93]These findings appeared in a series of reports beginning in 1979. The most useful are Elizabeth and G.T. Bloomfield, *The Ontario Urban System at the Onset of the Industrial Era, 1871* (Guelph, 1989), and *Patterns of Canadian Industry, 1871* (Guelph, 1990).

[94]Jacob Spelt, *Urban Development in South-Central Ontario,* pp. 144-45.

[95]Figures are calculated from the monthly bank reports to the auditor of public accounts, and published by the *Monetary Times.*

[96]This figure includes 15 branches of the Royal Canadian Bank that were continued by the Consolidated Bank in 1876, and 10 branches of the St. Lawrence Bank, reorganized as the Standard Bank in 1876.

[97]Figures are calculated from data in provincial directories and the reference books of Dun, Wiman and Co.

[98]Figures from Dun and Wiman *Mercantile Reference Book,* July 1881.

[99]*Toronto Telegram,* 28 Mar. 1881.

[100]*Monetary Times,* 20 May 1881.

[101]Figures from Dun and Wiman,*Mercantile Reference Book,* July 1881.

[102]*Toronto Telegram,* 28 Mar. 1881.

[103]Louis Aubrey Wood, *A History of Farmers' Movements in Canada* (Toronto, 1924), pp. 85-88.

[104]*Toronto Telegram,* 28 Mar. 1881; *Monetary Times,* 20 May 1881; 9 Mar. 1883.

[105]*Elora Observer,* 7 Mar. 1872.

[106]Farmers Bank advertisements began appearing in the Elora papers in July, 1873. See *Elora Observer,* 7 July 1873.

[107]William Cochrane, *Men of Canada* (Brantford, 1891), p. 100.

[108]*Newmarket Era,* 28 Feb. 1896.

[109]Adam Shortt, *Adam Shortt's History of Canadian Currency and Banking, 1660-1880* (Toronto, [1986]), pp. 639-40.

[110]Merrill Denison, *Canada's First Bank* (Toronto, 1967), II, p. 194.

[111]*Monetary Times,* 14 Oct. 1881; Tom Naylor, *The History of Canadian Business, 1867-1914* (Toronto, 1975), I, p. 144. Naylor considers that the Ontario Bank, in its concentration on industrial accounts, was atypical of central Canadian banks.

[112]*Monetary Times,* 22 Aug.; 19 Sept. 1884.

[113]A.B. Jamieson, *Chartered Banking in Canada* (Toronto, 1953), p. 11.

[114]Statutes of Canada, 53 Vic. c. 31. The prohibition of mortgage security remained after 1890.

[115]Douglas McCalla, *The Upper Canada Trade* (Toronto, 1979).

[116]*Monetary Times,* 15 Aug.; 22 Aug. 1879. McInnes operated in both Montreal and Hamilton. The collapse of the firm was precipitated by a fire at the Hamilton warehouse. Direct liabilities approached $400,000, the bulk of which was owed to the Bank of Montreal. At the time, McInnes was president of the Bank of Hamilton, but not a customer. McInnes's practice of not entangling his own business

affairs with that of his bank was not followed by George Stephen, president of the Bank of Montreal, who, at one point, owed the Bank of Montreal over $700,000 in credit lines to his various textile-related enterprises. See account of annual meeting, *Monetary Times,* 11 June 1880.

[117]In addition to his dry goods business and his leading role in founding the Bank of Hamilton, McInnes participated in several textile manufacturing concerns, and was an active railway promoter. See A. St. L. Trigge, *History of the Canadian Bank of Commerce,* III, pp. 63-65.

[118]Samuel St. John Diary, entries for 3 May-10 May 1849, St. Catharines Historical Museum.

[119]*Wellington County Directory, 1867.*

[120]*Elora Observer,* 16 Mar. 1865.

[121]A.B. McCullough, *Money and Exchange in Canada* (Toronto, 1984), pp. 234-5.

[122]See, for example, the case of James Redmond of Stratford, *supra*, and *Monetary Times,* 1 Dec. 1876.

[123]Jacob Spelt,*Urban Development in South-Central Ontario,* pp. 124-29.

[124]*Ontario Agricultural Commission* (Toronto, 1881), I, pp. 242-3 345-51; IV, "Appendix G," pp. 11-37.

[125]*Stratford Beacon,* 8 Oct. 1869; *Perth and Waterloo Counties Directory, 1870,* p.118. Redford began advertising a conveyancing and exchange business in 1867.

[126]Agur began advertising as an exchange broker in 1869, and by 1874 was operating as "The Exchange Banking House." *Oxford County Directory, 1869; 1874; Ingersoll Chronicle,* 19 Oct. 1871. In the late 1870s he moved his base to Chatham, operating as Robert Agur & Co. *Kent County Directory, 1880.*

[127]The bank operated as "The Banking House of Curry & Bro." in the 1870s, as "Cameron and Curry" in the 1880s, and was still in business as "John Curry & Co., Bankers" after 1900. See letterhead and cheques, Bank of Canada Collection, Ottawa. Curry sold the bank to the Dominion Bank in 1907. *Trenton Courier,* 21 Feb. 1907. By this time, Curry had abandoned the forestry business, and was concentrating on real estate and other investments. At the peak of the charcoal business, in the 1880 era, the firm produced over half the charcoal in Essex County, and shipped 200,000 bushels to Michigan in one three- month period. *Monetary Times,* 25 Feb. 1881; N.F.

Morrison, *Garden Gateway to Canada,* p. 118. The firm made plans in 1886 to open a branch bank at Tilbury, which was then an important lumber centre, but it appears the office did not open. See *Monetary Times,* 30 Apr. 1886.

[128]William Cochrane, *Men of Canada,* p. 305. Gillard served as warden of Essex County, and reeve of Wallaceburg for 6 years.

[129]*Wallaceburg Herald-Record,* 13 Sept. 1895.

[130]For Fawcett's career as a contractor and planing mill operator, see Strathroy *The Age,* 24 Nov. 1871; 9 Jan. 1874; 13 Nov. 1874. See also Ted Leitch, "Fawcett Banking Network," *Transactions of the Numismatic Research Society,* 26 (1990), pp. 33-37. Thomas Fawcett's banking career is discussed further in Ch. IV, *infra.*

[131]Christopher's most prosperous years seem to have been the 1870s, when his planing mill employed over 100 men. The earliest mention of his banking activity is an advertisement in the *Ingersoll Chronicle* of 5 Jan. 1888, as a "banker and broker" with $50,000 to loan at 5% and 5.5%. See Christopher File, Woodstock Public Library; and obituaries in the *Ingersoll Chronicle,* 12 Dec. 1907, and *Woodstock Sentinel-Review,* 9 Dec. 1907.

[132]William Cochrane, *Men of Canada,* p. 284. It is likely that the Whaley and Schwendemain bank was established to fill a vacancy in Drayton caused by the closing of Peter Lillico's private bank, which occurred in late 1883 or early 1884. Lillico's advertisements for the Drayton office end in mid-1883 in the *Listowel Banner* and the *Drayton New Era.*

[133]Dun, Wiman and Co., *Mercantile Reference Book,* Mar. 1891.

[134]The Traders Bank advertised in the *Elora Express* and the *Arthur Enterprise* in addition to the *Drayton Advocate,* obviously to appeal to the farmers in Peel and Maryborough Townships. Whaley and Schwendemain did not regularly advertise in any of the area newspapers.

[135]*Lincoln and Welland Directory, 1881.*

[136]*Lovell's Canadian Directory, 1857; Great Western Railway Directory, 1861.* The Clifton office closed in the early 1860s.

[137]Dun, Wiman and Co., *Mercantile Reference Book,* 1873; July 1883; Mar. 1891. Macklem's credit worthiness always ranked at the highest level.

[138]*Monetary Times,* 11 June 1878; Elora *Lightning Express,* 30 Oct. 1879.

[139]*Wellington County Directory, 1871; 1879.*

[140]*Fergus News Record,* 19 May 1881. John Robinson had been a Mount Forest merchant since the mid-1860s. *Grey County Directory, 1865.*

[141]*Monetary Times,* 13 June 1884.

[142]*Monetary Times,* 31 July 1885.

[143]*Clinton New Era,* 1 June 1883; 26 Sept. 1902; *Bruce, Huron and Grey Counties Directory, 1889.*

[144]*Monetary Times,* 1 Sept. 1882. Harrison and Rathburn opened their bank in 1877, with a branch in Dutton in 1880; Swaisland established his bank in 1878.

[145]W.W. Farran to James Archibald, 29 Dec. 1896, Marston-Archibald Collection, Special Collections, University of Guelph.

[146]I am greatly indebted to Susan Higgins, a great granddaughter of Malcolm McTaggart, and her aunt, Mary Tisdall, both of Toronto, for a lengthy personal interview and the opportunity to examine family papers in detail.

[147]*Huron County Directory, 1865.*

[148]*Monetary Times,* 19 July 1878; *Huron County Directory, 1876.* McTaggart originally had two partners, whom he bought out in 1881. See *Huron County Directory, 1881.*

[149]W.H. Johnson, undated newspaper clipping in McTaggart Papers, in the possession of Susan Higgins, Toronto.

[150]Dun, Wiman and Co., *Mercantile Reference Book,* July 1878.

[151]Sir John A. Macdonald to Malcolm McTaggart, undated, McTaggart Papers.

[152]*Clinton New Era,* 29 May 1891.

[153]Undated and unidentified newspaper obituary, Malcolm McTaggart, McTaggart Papers.

[154]Wolferstan Thomas to George D. McTaggart, 23 Jan. 1891, McTaggart Papers.

[155]*Clinton News Record,* 17 July 1932. Malcolm D. McTaggart died in July 1932, George McTaggart in 1942.

[156]*Lambton County Directory, 1877.*

[157]Campbell Bros. to Kenneth Campbell, 5 Feb. 1879, collection of the author.

[158]*Monetary Times,* 5 Dec. 1879.

[159]*History of Middlesex County* (London, 1889), p. 592; Dun, Wiman and Co., *Mercantile Reference Book,* 1869; Jan. 1878. The bank was taken over completely by J.T. Owen about 1888.

[160]William Johnson, *History of the County of Perth, 1825-1902* (Stratford, 1903), p. 440; 499-500.

[161]*Tara Leader,* 16 June 1881.

[162]Advertisements for Hay's Banking Office in Chesley first appear in the *Listowel Banner* in Jan. 1880.

[163]Norman Robertson, *History of the County of Bruce* (Toronto, 1906), p. 375; 382.

[164]*Stratford Beacon,* 8 Oct. 1869.

[165]*Tara Leader,* 16 June 1881; 27 Sept. 1900; Norman Robertson, *History of the County of Bruce,* p. 277.

[166]*Bruce County Directory, 1867.*

[167]Advertisements and directory listings last appear in 1887.

[168]*Arthur Enterprise,* 8 Nov. 1906.

[169]Ken Palmer, "Private Bankers of Bruce County," *Bruce County Historical Yearbook* (1990), p. 64; *Bruce County Directory, 1867.*

[170]Dun, Wiman and Co., *Mercantile Reference Book,* July 1873; Jan. 1878.

[171]Victor Ross, *History of the Canadian Bank of Commerce*, II, p. 556; *Paisley Advocate,* 11 Aug. 1877.

[172]Norman Robertson, *History of the County of Bruce,* p. 397.

[173]*Historical Atlas of Grey and Bruce Counties,* 2nd. ed. (Stratford, 1980).

[174]*Monetary Times,* 15 Aug. 1879; 26 Mar. 1880.

[175]*Paisley Advocate,* 28 Oct. 1886.

[176]Information derived from county and provincial directories, and issues of Dun, Wiman and Co. *Mercantile Reference Book* between 1869 and 1882.

[177]Johnston, Fawcett and Kittredge were all rated in the $40,000-$75,000 financial strength category by Dun, Wiman and Co. in 1878.

[178]George Jones, the teller at Johnston's Bank in Strathroy, moved to Fawcett's Bank in Watford in 1876. Strathroy *The Age,* 14 Jan. 1876.

[179]*Monetary Times,* 25 Aug. 1876.

[180]*Toronto Daily News,* 25 Sept. 1884.

[181]Watford *Guide-News,* 30 Jan. 1885. It was the opinion of T.A. Kirkpatrick, an accountant who investigated the Fawcett Bank, that the crude bookkeeping system in Watford had been instituted when the office was new and small, and had never been updated.

[182]Draft, Bank of Canada Collection: "J.C. McKeggie and Co., Bankers, Established 1879."

[183]*Monetary Times,* 26 Nov. 1880.

[184]The Aurora office operated as J.L. Ross and Co. *Aurora Banner,* 23 June 1893.

[185]*Mount Forest Confederate,* 23 Oct. 1877.

[186]William Johnson, *History of the County of Perth* (Stratford, 1903), p. 556. He is still listed as a Listowel merchant in the *Perth and Waterloo Directory, 1870.*

[187]Durham *Grey Review,* 24 June 1880.§ John Rose, *History of Shelburne* (n.p., n.d.), p. 452, incorrectly reports the Shelburne office opening in 1881.

[188]William Johnson, *History of the County of Perth,* p. 556. Scott often advertised his 1873 starting date in advertisements and on his cheques and stationery.

[189]Merchants Bank of Canada, Directors' Minutes, 17 Dec. 1879; Dun and Wiman, *Mercantile Reference Book,* July 1882.

[190]Stephen Sawden, *History of Dufferin County* (n.p., n.d.), p. 162; John Rose, *History of Shelburne* p. 452. Fred Silk remained manager of the bank after it was purchased by the Union Bank, serving there until 1917.

[191]Miller served as manager of the Shelburne office until 1886; opening his own bank there about 1896 after involvement in other business ventures. A.E. Smith succeeded Miller as Shelburne manager, and ran the Halsted and Scott bank in Wingham in the 1890s, buying out the business in 1896. *Shelburne Economist,* 14 Jan. 1886; *Wingham Times,* 17 Jan. 1896.

[192]E.K. Scott to Bank of British North America, Brantford, 16 Feb. 1887, Bank of Canada Collection, Ottawa.

[193]William Johnson, *History of the County of Perth,* p. 556.

V. FAILURES AND RESTRUCTURING, 1881-1884.

Growth in small-town Ontario economies produced the boom in private banking in the late 1870s, but this growth was fostered, and even accelerated, by the policies of some of the chartered banks. The Montreal-based banks found it convenient and profitable to use private banks as a surrogate branch system. The Toronto-based banks formed fewer links with Ontario's private banks, with the exception of the Federal Bank, which, in the 1880 era, pursued an aggressive and reckless policy of expansion. The Federal Bank soon acquired a large group of private bank customers whose ambition far outstripped their capital and banking ability.

There is little doubt that the private banking system suffered from over-expansion in the early 1880s. Seeking rapid expansion and quick profits, the more reckless bankers lent to shaky customers on poor security. The result was a flurry of private bank failures in 1883.

These failures had several repercussions. The chartered banks began to be more cautious in their support of private bankers. This slowed expansion of the system generally; it forced some undercapitalized bankers out of the field; and it discouraged the opening of branch offices by private bankers. Nevertheless, private banking began to acquire a poor reputation. Alex Johnston, the first small-town private banker, sold off his banking interests to pursue other ventures. The existence of unsound private banks and the failure of some made private banking a political issue, and the federal government briefly considered regulation of the industry.

The largest failure in private banking history occurred in 1884, when the collapse of the Fawcett chain produced ripples through the entire Canadian financial system. All the problems and ills of private banking were epitomized in Thomas Fawcett's banking network and his business methods. His failure directly or indirectly affected more than 10% of the private banking offices in the province. It resulted in losses to hundreds of depositors and two chartered banks, producing a chilling effect in private banking, and in short order, a restructuring of the industry. Through chartered bank policies and a more sophisticated perspective by the public, it became harder for speculative opportunists to gain a foothold in private banking. Conservative, well-capitalized businessmen regained dominance in private banking.

a. Chartered Banks and the Growth of the Private Banking System

While private banks grew naturally out of the expansion and diversification in small town economies, their rapid proliferation owed much to the support and encouragement of the chartered banks. The private banks employed the surplus and accumulated capital of their proprietors, but this money, even when combined with the savings deposits they attracted, rarely proved sufficient to meet the credit needs of their communities. Private banks, especially in the late 1870s and early 1880s, sought additional capital through loans from chartered banks. As security for these loans, the private bankers endorsed the promissory notes of their own customers. The details of the arrangement varied among the various chartered banks, but in effect, the private banks rediscounted their customers' notes.

The chartered banks, particularly the Merchants, Molson's and the Bank of Montreal, embraced private banks enthusiastically. All three of these Montreal-based banks had experienced difficulty during the 1870s in administering and operating profitable branch networks in Ontario. Working with the private banks, they reduced themselves, in essence, to a wholesale function: they provided money in a lump sum, and their administration consisted largely in ensuring that they maintained adequate margins in their security. The private bankers also sold and cashed the chartered banks' drafts for a commission, helped to circulate their banknotes, and facilitated the flow of commerce for their major customers by participation in the cheque clearing system.

The most zealous enthusiast for private banking among chartered bank general managers was George Hague. He had shown little interest in private banking while general manager of the Bank of Toronto, but followed a much different policy after he was tapped for the top position in the Merchants Bank by Sir Hugh Allan in 1877.[1] The Merchants Bank had already lent to private banks before Hague arrived. The most important of its private bank clients at this time was J.W. Scott of Listowel, whose line of credit was raised from $30,000 to $40,000 in 1876.[2]

George Hague took over a failing institution when he assumed the general manager's desk at the Merchants Bank in 1877. The Bank of Montreal was supporting the Merchants Bank through its crisis with a temporary $1,000,000 loan, the granting of which, according to Merrill Denison, had been conditional on Hague's appointment.[3] Hague reduced the capital of the bank from $9,000,000 to $6,000,000, and then began tackling the problems with the branch system, which, at 41 offices, was the most extensive in the Dominion. Some of the branches had sustained immense losses relative to the volume of business they generated, and the general supervision of the system had been entirely inadequate.[4] Hague began closing the marginal branches, beginning with Lindsay, in May of 1877.

While contracting the branch system, and reducing the overall size of the loan portfolio, Hague quickly seized new opportunities for expanding loans to private banks. The first of these was Robert Porteous, a grain dealer in Paisley, who had been a satisfactory borrower at the Merchants Bank in Walkerton for several years. When the Bank of Commerce closed its Paisley branch in June 1877, due to insufficient business,[5] Hague backed Robert Porteous in setting up a private bank there. By 1879 Porteous was carrying a line of credit of $50,000.[6] The Porteous Banking House proved to be one of the most successful private banks in Ontario, carrying on until the proprietor's death in 1896.[7]

During the first five years of the Hague administration, the Merchants Bank added Peter Lillico of Listowel, with banks at Drayton and Arthur; Williams and Co. of Wroxeter; Alex Johnston's network of banks in Strathroy, Amherstburg, Clinton, Elora and London; J.H. Stewart of Trenton; A.E. Minkler of Elmira; and Kittredge Bros. of Teeswater, among others, to the list of its private bank clients.[8] The roll was augmented by the Merchants Bank's relationship with two of the early private banking networks, that operated by J.W. Scott and James Halsted in Perth, Grey, Wellington and Simcoe Counties; and the empire built by Thomas Fawcett, based in Watford. The Bank of Montreal partially shared the Scott and Halsted accounts with the Merchants Bank,[9] and the two chartered banks divided the business of the much larger Fawcett chain more or less equally.[10] In addition to these major borrowers, totalling over 40 private banking offices, the Merchants Bank by 1882 dealt with about 15 other private banks on a correspondent basis. These may well have been minor or occasional borrowers. They sold and cashed Merchants Bank drafts and circulated its banknotes. Altogether, by 1882 the Merchants Bank had almost 60 Ontario private banks as customers, or about 35% of the private bank offices in the province.

Between 1877 and 1882, the years that Hague spent building up this network of client private banks, he reduced the size of the Merchants Bank's branch system in Ontario from 32 offices to 23. Clearly, he saw private banks as the cheap and easy way to build and maintain a strong presence in rural and small-town Ontario.

There were dangers in building up the private banking system so rapidly, and difficulties soon appeared for the Merchants Bank, as well as for those of its chartered rivals which supported private bankers. Negligent supervision of the branches had created problems for the chartered banks in the first place, and private banks offered far more opportunities for irregularities than their own branch offices. The first major failure of a private bank, that of the McGregor Brothers bank in Windsor in June 1877, does not seem to have chastened senior bank managers, or dampened their enthusiasm for private banks in the years between 1877 and 1881, despite the fact that Molson's Bank lost a large part of its loan to the McGregors, estimated to be more than $65,000, in their failure.[11]

Warnings respecting the rapid expansion of private banking began to be raised in the spring of 1881, beginning with a lengthy editorial in the *Toronto Telegram* of March 28 of that year, which noted that a number of small town chartered bank offices had recently closed, their places having been taken by private banks. The chief admonition voiced was that the abundance of these private banks and an ensuing cycle of easy credit, would create an inflationary spiral similar to that of 1857, but the editorial did acknowledge the advantages of the small town private bank, and the reasons why they gained rapid acceptance among hinterland businessmen:

> It is possible for a retired merchant who starts a private bank to aid a trader in carrying his venture to a profitable issue, and to do so without any great risk; whereas the cramped accommodation afforded by a chartered institution might only hurry the trader up to his difficulty and leave him to be crushed thereby instead of overcoming it. There are few men in business who have not had a crisis in their career, wherein a chartered bank has deserted them and they have only weathered the storm through the respect, evidenced by loans, in which they are held by their fellow men. Herein lies at once the chief good and chief danger of private banking. For the soulless corporation is substituted the impressionable individual, who, by extending his sympathy, may carry embarrassed merchants through their difficulties; but who, by a lack of wisdom in controlling the relief which he extends, may paralyze a community. The issue is one between collective wisdom applied generally and individual judgment applied particularly. All, therefore, depends in a private bank upon the sterling character of the financier; there is nothing radically wrong in the system.[12]

The editorial concluded by warning that the greatest danger in private banking lay in the indiscriminate expansion of chains and networks, particularly when new branches were beyond the reach of the personal supervision of the proprietor.

A week later an anonymous writer, describing himself as "an old chartered bank officer," widened the discussion in the *Monetary Times.* This banker saw little danger in a private banker who had received proper training in banking at a chartered institution, and confirmed the danger in the excessive growth of private bank chains, which he blamed on the chartered banks:

> I contend that it is the chartered banks themselves which are to blame for virtually encouraging [inexperienced men] to open branches all over the country, by giving them large lines of credit. At this present moment there are private bankers who have their five to ten branches, and who, in their haste to grow rich, are steadily adding to the number of these.[13]

Several private bankers had opened a second office in a neighbouring town by the time these comments were written, but the references to private banking networks could have applied to only four: Alex Johnston's chain which embraced offices in Strathroy, Amherstburg, Clinton, London and Elora; the Scott/Halsted network, with offices in Listowel, Palmerston, Clifford, Durham, Mount Forest and Orangeville; Dr Alex McTaggart's offices in Parkhill, Brussels, Tilsonburg and Glencoe; and the Fawcett chain based in Watford, the largest of them all. The growth of these chains had been encouraged by the chartered banks since the mid-1870s. For example, the Glencoe *Transcript* reported in 1876 that Charles Murray, manager of the Federal Bank in London, and Dr. McTaggart visited the town together to view potential locations for McTaggart's private bank.[14]

In his *Monetary Times* editorials, Edward Trout repeated several times during 1881 the arguments advocating caution with the expansion of private banking, going so far as to abandon temporarily his usual classical liberal economic philosophy to call for government regulation of private banking:

> While not disputing the undoubted right of an individual to employ his capital in any

> legitimate calling, we decidedly demur to the doctrine that any man should be allowed to engage in the business of banking without legislative restriction.[15]

It appears that these comments in the press coincided with a reassessment of private banking accounts by senior bank management, particularly at the Merchants Bank. In March 1882 the directors of the Merchants Bank held a long discussion of their private bank accounts, and agreed that all must be watched closely, particularly the Fawcett chain. As a matter of policy they increased their margin requirement for loans to private banks to 15%-20%; that is, private bankers had to provide $115 to $120 of their customers' promissory notes or other security for each $100 that they borrowed from the Merchants Bank. Previously, the Merchants Bank had often required a margin of only 10%.[16]

b. Restructuring the Private Banking System

Ontario's much-touted 'first' private banker, and one of the first to establish branch offices, was also the first to leave the private banking business voluntarily. Alex Johnston of Strathroy began to juggle his private bank investments in 1881, and two years later he permanently left the field. Johnston had located his first branch in London. It was in operation by 1875, and perhaps two years earlier.[17] John F. Mahon acted as the manager,[18] and in 1880 he began to acquire an interest in the London office, which was thereafter known as Johnston, Mahon and Co. The following year Johnston divested himself completely from the London office, which henceforth was styled "The Mahon Banking Co.",[19] jointly owned by John F. Mahon and his brother, James A. During the first half of 1883 Johnston withdrew his investment from his remaining four offices. W.W. Farran purchased Johnston's interest in the Clinton office, which continued under the name of Farran and Tisdall.[20] Thomas Gale, the manager and partner at Elora, took over a majority interest in that office, which continued as "The Farmers' Banking House."[21] Loftus Cuddy, manager of the Amherstburg office from the time it opened in 1878, and later a partner with Johnston, purchased the business there in May, 1883.[22] Johnston then wound down the original office in Strathroy, paying off depositors and collecting payments through the fall of 1883.[23]

Always reticent, Alex Johnston never revealed the reasons for his decision to retire from private banking at this time. It is quite plausible that he perceived major problems for a number of private bankers in the immediate future, and fearing a general backlash against private banking, determined to place his capital in safer investments. He did, for example, hold shares in the Lambton Loan and Investment Co. of Sarnia, and served as a director of that firm until at least 1887,[24] and in 1888 he held the vice presidency of the London-based Ontario Loan and Debenture Co.[25] The failures of two private banks in February 1883, and the ensuing repercussions in the financial community, support the hypothesis that Johnston desired to depart from a segment of the financial industry he perceived as increasingly shaky. Johnston also had commitments as a member of the provincial legislature, and may have concluded that he could no longer supervise his banking interests closely and competently.

M. Minkler and Co., doing business as the Waterford Bank, ceased payment on 23 Feb. 1883, after the Federal Bank withdrew its support, and proprietor Marshall Minkler failed to find another chartered bank to back him.[26] Though Minkler reputedly had only $12,000 of capital in his bank, he operated offices in Waterford and Cayuga, and was on the point of opening a third at the time of the failure.[27] Considering the fact that he had stretched his personal resources to the limit, and that the Federal Bank was applying pressure to retrench, Minkler's course of expansion defies logic. The only plausible explanation is that he believed a larger volume of business would leverage him out of his difficulties. The trustees' statement showed liabilities in excess of $108,000, against assets with a nominal value of $102,000.[28] Minkler's demise confirmed the worst suspicions in the financial community about the reckless expansion of private banks.

A more significant, and more spectacular failure occurred earlier the same week as the Minkler suspension, when the Mahon Banking Co., Alex Johnston's former London office, closed its doors. Rumours that the bank was stumbling precariously had circulated in London, and the "suspension was looked for for some time," according to a source described as "one of the soundest financial authorities in the city."[29] What brought matters to a head was the demand of the Bank of Montreal for additional security. Sometime in the previous three years the Mahons had moved their account from the Merchants Bank to the Bank of Montreal.[30] It is not known whether this change was at the instigation of the Merchants Bank or of the Mahons. Molson's Bank shared in the Mahon account, but to a lesser amount than the Bank of Montreal.[31]

London's financial sector in the early 1880s suffered from a degree of speculation and volatility that alarmed the conservative members of the city's banking circles. The Mahon Banking Company was only one of several active players. One observer, R.W. Smylie of the Huron and Erie Loan and Savings Co., noted in early 1883 that banking in London was "cut throat," that "some men who manage financial concerns in this city are more fit for a Lunatic Asylum," and that some banking concerns were actively canvassing for deposits, offering 6% interest.[32]

The Mahon Banking Co. failure precipitated a chain reaction in the business community of London. Many of the bank's borrowing customers were mercantile firms with limited means, who borrowed for short terms to augment their working capital. The *London Free Press* observed that:

The business transacted by the company was what may be called a "risky" one.

> Advances were made at high rates of interest on many kinds of inferior securities, while the rate of interest paid to depositors was higher than prudence justified. This high rate on current deposits was the means of inducing many persons of small capital to place their moneys with them.[33]

The lack of a good quality of security and the high interest rates indicate that the Mahon Banking Co. served London as a lender of last resort. Obviously, it was a class of business eschewed by chartered banks.[34] The Mahon collapse froze a portion of the working capital and security of some firms which also dealt with chartered banks, and this development induced the chartered banks to curtail their lines of credit to these firms. This in fact happened to a number of businesses the day following the failure.[35] The Mahons' troubles were felt immediately through the financial community as far as Montreal, where Bank of Montreal stock dropped from $206.50 to $203.75 when the news was announced.[36]

For a week after the failure, few facts could be confirmed. Different sources estimated the liabilities of the firm variously at $250,000 to $450,000, including deposits of about $43,000. R.W. Smylie, quoting an officer of the Bank of Montreal, put the loss to that bank at "from 100 to 150 thousand, but nothing definite can be confirmed yet."[37] Hearsay and speculation gripped London, and were still rampant two weeks after the collapse:

> Ever since the Mahon failure the city has been full of rumours of commercial embarrassment, note protesting, and business wreckage in every line and in every degree of magnitude. The failure referred to seems to have whetted the public appetite for commercial sensationalism, and rumours have reached their ugly shadows in every direction, embarrassing many of the prominent business firms of the city.[38]

The Mahon case took an interesting turn the week following the suspension. During the weekend of February 24-25, stories began to circulate that the London manager of the Bank of Montreal, F.A. Despard, had resigned as a consequence of his handling of the Mahon account. One version had Despard committing suicide.[39] Proving the veracity of Prince Bismarck's injunction to credit no story until the official denial has been issued, Despard's resignation was soon confirmed. In addition to the irregularities in the Mahon account, a surprise inspection of the London branch had revealed a shortage of $4,500 in the cash of the head teller.[40] This discrepancy was unrelated to the Mahon case, but it demonstrated the inadequacy of Despard's management.

The Bank of Montreal's inspector discovered, in his examination of the books, that Despard had concealed a large overdraft in the Mahon account from head office, and that the bank held inadequate security to cover the Mahon loans. Despard was also holding, in the account intended for notes and instruments of other banks, over $30,000 of cheques that should have been debited to the Mahon Bank on the first available business day.[41]

A slightly different perspective was provided by R.W. Smylie, who wrote to B.E. Walker on February 26 that:

> I am sorry for Despard's family–his wife is an extremely nice woman. She has a very large family. Despard himself for some reason gets but little sympathy. He has been repeatedly warned about some of his a/c's, but paid no heed and I am personally aware of some accounts, at other Branches besides this one which must go sooner or later. The Mahon failure will, I am confident in more ways than one, turn out very bad.
>
> The Teller was dismissed because he not only held bogus cheques in his cash to cover large overdrafts of the Mahons on "Return Days" but also was speculating heavily.... He also claims he held the cheques to cover the Mahon overdrafts by Despard's instructions which I think quite likely. You can imagine how "riled" the authorities must have been when they discovered the a/c overdrawn $32,000 which they supposed all right.[42]

From Smylie's evidence, it is clear that Despard's favourable treatment of the Mahon account had long been general knowledge in London's financial community. It was even believed in some quarters, incorrectly, that he held a partnership in the firm.[43] However, Despard's close connections with the Mahon Banking Co. should have caused concern at head office long before the failure. His son, Walter Despard, worked as the Mahons' teller. He resided with his father, a situation which later brought charges that the younger Despard had passed knowledge of the imminent suspension to favoured customers of the Mahon Bank. John F. Mahon and the senior Despard both served as directors of the Tontine Savings Association, an organization incorporated under the Benevolent Society Act, but which appears to have been nothing more than a department of the Mahon Banking Co.[44] Yet another of Despard's irregular banking practices was the current account he maintained at the Mahon Bank for his personal business activities. This account was often overdrawn to a large amount.[45]

The situation became more complicated for the Mahon brothers when John F. Mahon appeared in police court on 26 February 1883 to answer a charge of fraud brought by a depositor who had placed $325 in the bank after the decision of the Bank of Montreal to withdraw support was known by Mahon Bank officers. James A. Mahon was arrested on a similar charge on March 1. The pair remained at large on bonds of $1,000 each.[46] News of the arrests caused a fresh round of jitters on the Montreal Stock Market.[47] In turn, Molson's Bank obtained a writ of attachment against the Globe Agricultural Works, a company owned by the Mahon brothers. Estimates of Molson's Bank interest in the factory varied from $137,000 to $175,000. Molson's solicitor insisted the action was unrelated to the failure of the Mahon Banking Co.[48]

Accurate financial information began to emerge in the testimony at the preliminary hearings for the Mahon brothers. Current account deposits totalled about $21,000, savings deposits $18,000 and the Tontine Savings Association about $7,000. The firm had rediscounted $193,000 of their customers' notes at the Bank of Montreal as security for their loans. There was also an overdraft at the Bank of Montreal of some $25,000. The Mahons had, on the day before the failure, assigned the overdrafts at their bank, amounting to some $20,000, to the Bank of Montreal to help secure their indebtedness.[49] The specific cause of the withdrawal of Bank of Montreal support seems to have been the refusal of the brothers to transfer property in Manitoba worth about $8,000 to the Bank of Montreal as collateral security.[50]

A group of the depositors organized the Mahon Depositors' Defence Association in early March, but they were rather late off the mark. Several of the major creditors, including the Bank of Montreal, had obtained civil judgments between February 23 and March 9, and the sheriff had seized all visible assets, to be sold at a public auction.[51]

The Mahon failure confirmed the contention of many financial observers that private banks had enlarged their business too quickly, and that the chartered banks shared complicity in the expansion. A large portion of the blame must devolve on the head of F.A. Despard, the London manager of the Bank of Montreal. Despard was no neophyte banker, but had 30 years' experience with the Bank of Montreal, 10 of them as London manager. During his term as London manager he had rebuilt a large business, which had dwindled under his predecessor.[52]

The Mahon Banking Company cultivated high-risk, high-interest advances to undercapitalized retail businesses, a line of lending that chartered bankers shunned.[53] The Mahons conducted their business with high cost money -- more than half was borrowed from the Bank of Montreal at regular commercial bank rates -- and they sustained a heavy loss record due to nature of their business. Edward Trout, in a *Monetary Times* editorial published as the Mahon scandal unfolded, concluded that a similar fate awaited every private banker in direct competition with chartered banks:

> ....he must take business which the Chartered Banks refuse. In the case of the firm who recently failed in London, the suspension was really due to the unsound loans which crowded the books of the concern. They did business apparently with numbers of people who could not find accommodation at the Banks.[54]

Despard's personal involvement with the Mahons in some of their business ventures was unprofessional, and his administration of his own branch, in failing to detect a major cash shortage and in the supervision of the Mahon securities, violated the basic regulations of his bank.

The Mahon affair seems to have had a chastening effect on the chartered banks' supervision of their branches and private bank accounts, particularly the Bank of Montreal, which had long prided itself on having the most advanced administrative structure among the Dominion's chartered banks. No other managers were ever caught emulating F.A. Despard's example as custodian of a branch and supervisor of a private bank account. Whether by design or serendipity, the Merchants Bank had avoided involvement in the failure of what had been one of their major private banking accounts, though they would soon have a greater disaster on their hands with the Thomas Fawcett account. Anticipating further private bank troubles, one London financial man wrote that:

> The defalcations recently brought to light in the Mahon failure has [sic] quite exercised Bank people. I think myself there is a tremendous mass of "rotten" business done by the Private – (so called) Banks, and some of their Bankers will find out about – The Federal in particular....The Dominion, Federal & B of M every one seems to speculate as a rule.[55]

As previously noted, the Merchants Bank head office had already begun to monitor their private bank accounts closely. This was consistent with a general structural reorganization carried out by George Hague, which included a formal promotion policy based on performance and examinations, a comprehensive reporting system from the branches to head office, and a consistent, written set of regulations to be strictly followed in every branch. In the 1882 annual report, he was able to boast that the previously troublesome (and previously larger) branch system had generated 75% of the bank's profits in 1881-82. All the bank's private banking accounts were carried at the branches.[56] The turnaround in branch business may have prompted Hague and his officials to be insufficiently mindful of the dangerous situation developing in

Thomas Fawcett's chain of banks at this time.

Five more failures startled the private banking industry in the twelve months following the demise of the Mahon and Minkler banks. None produced losses of notable magnitude, but in aggregate they tended to encourage the perception that the private banking industry was populated with charlatans, reckless entrepreneurs, bungling hayseeds, and incompetents. The Mahon failure had not fully unfolded when William Thomson, a private banker in Barrie, absconded to the United States.[57] Commencing about 1877 and doing business under the style of "W. Thomson and Co., Brokers and Private Bankers,"[58] Thomson served as the Barrie agent for companies in the loan, real estate and insurance businesses, and advertised widely for farm mortgages.[59] He offered a rate of 6% on demand deposits. In order to pay this rate he probably offered small, unsecured loans at high rates of interest, a class of business pursued by many private bankers to a greater or lesser degree. No record remains of the losses, if any suffered by his depositors, or of connections he may have had with a chartered bank.

Depositors suffered no losses in the failure of M.P. Hayes, who conducted a private bank in Seaforth between March, 1880 and August, 1883. At one time the Crown Land Agent in Hastings County,[60] Hayes had joined the Royal Canadian Bank in the 1860s, and had served as the manager of the Seaforth branch from 1869, retaining the position under the Royal Canadian's successors in Seaforth, the Consolidated Bank and the Bank of Commerce.[61] Hayes built a substantial business for the Bank of Commerce in Seaforth, and became a respected local figure. He resigned as manager in 1880 to set up a private bank, supported by "arrangements with leading capitalists of Toronto, and with the bank whose employ he has just left."[62] As well, Hayes retained a position on a local board of the Bank of Commerce, offering recommendations on loan applications submitted to head office. Hayes and the Bank of Commerce openly admitted that the private bank had been set up largely to circumvent statutory restrictions on the security banks could hold for the loans they made:

> The new bank will be devoted entirely to local business, and will discount paper for farmers and mechanics at reasonable rates. It will also be able to discount paper such as farmers' sale notes and other small notes of that class, which cannot be done by larger chartered banks. In this way it will supply a want which has been felt by our farming community.[63]

A popular man locally, Hayes did well for a time, then became preoccupied with what was termed "other matters," followed by a bout of ill health.[64] He suffered a general reduction in his business as a consequence of declining farm incomes in 1883,[65] which led to slow repayments by farmers on their loans. Hayes also made imprudent investments in timber rights and land in northwestern Ontario and Manitoba. The immediate cause of his downfall appears to have been his financing of a quarrying operation on Lake Nipigon, which was to have shipped building stone to Detroit and Chicago.[66] It appears that Hayes, an experienced and successful banker, recognized his deteriorating position, and assigned to his creditors before serious damage occurred. The depositors recovered all their money, which, reportedly, did not amount to a large total.[67] Hayes relied on the Bank of Commerce for his working capital, and had no need to compete with them for deposits in an interest rate war.

As with M.P. Hayes, the lock-up of funds in Manitoba real estate and slow repayments of farmers' loans combined to bring down the banking firm of Denison and Crease of New Hamburg. This firm had commenced business in 1878, when Denison, the manager of the Consolidated Bank's New Hamburg branch, resigned and set up his own bank.[68] The firm began dealing in Manitoba property, both urban and rural, in the 1880s, in conjunction with the Toronto firm of S. and E. Denison.[69] Denison and Crease closed their doors in October, 1883. Conflicting stories circulated concerning the reason for the failure. One was that the firm was inadequately capitalized; another placed the blame on unsympathetic treatment from the chartered bank that supported the firm. Rumours placed the liabilities at $50,000, most owed to the firm's banker.[70] With no chartered bank in New Hamburg at the time,[71] Denison and Crease handled the accounts of many local industries and businesses. Their failure brought down three New Hamburg firms in the course of as many weeks.[72] New Hamburg in the early 1880s found itself in the unfortunate position of being too small to support a chartered bank branch, yet generating a volume of banking business larger than an undercapitalized firm such as Denison and Crease could handle. The closure of the Consolidated Bank branch in 1879 had attracted a second private bank to the village, W.J. Ward and Co.[73] The presence of this office mitigated to some extend the disruptions to the local economy after the Denison and Crease failure. What banking stability the Ward firm provided in New Hamburg proved to be short-lived: 11 months after Denison and Crease closed, W.J. Ward also shut his doors in the collapse of Thomas Fawcett's private banking empire.

Another opportunistic emigré from the chartered bank system, J.A. Codd opened a private bank in Bowmanville when his employer, the Dominion Bank, closed its branch there.[74] In an arrangement similar to that worked out by M.P. Hayes in Seaforth with his former employer, the Dominion Bank supported Codd in attracting business that the chartered banks could not, or would not, accept. Initially, Codd seemed to achieve success with this plan, noting in 1882 that there was "much evidence of prosperity among our customers, who are chiefly agriculturists."[75] With three other banking offices in the town – the Bank of Montreal, the Ontario Bank, and the private banking firm of Burk and Jones – the Dominion Bank sought to maintain a niche without the expense of a full branch. Like M.P. Hayes in Seaforth, Codd's difficulties seemed to have resulted from the attention and financing he gave to several outside investments. While still with the Dominion Bank, he had acquired an interest in the Scugog Drainage Co., which planned to drain Lake Scugog to provide agricultural land.[76] In 1883 he became a chief promoter of the Souris and Rocky Mountain Railway,[77] and undertook a trip to England to promote its bonds.[78] While out of the country, rumours of instability at his bank caused a run on deposits. The situation was aggravated by instability at the other private bank in Bowmanville, Burk and Jones. The senior partner of that firm had withdrawn in June 1883, and the new firm, Jones and Dobbie, had continued for only five months before it was purchased by the Standard Bank.[79] Codd's bank collapsed just as he was returning from England, in December, 1883. The end had been precipitated by the refusal of the Dominion Bank to honour his cheques, but Codd assigned blame in other quarters as well: to the depositors who drained away the liquid assets with their withdrawals; and to a telegram he sent informing some Bowmanville residents that he had failed to sell the railway bonds, which was interpreted locally as a general failure of his bank.[80] Several Bowmanville businessmen confirmed Codd's charges that the Dominion Bank had not supported Codd wholeheartedly, and had refused his cheques on several occasions. Attempting to distance himself from some of the recent bank failures, Codd protested that he was an experienced banker, not a speculator.[81] The Dominion Bank seemed to take a different view, and considering the difficulties encountered by some of the other chartered banks with their private bank customers, may have anticipated losses with the Codd account. The general reduction in farm income in 1883, and the resulting slow payments by farmers, only added to Codd's problems.

The bank of Harrison and McTaggart opened its doors in Tilsonburg in 1880 with the support of the Federal Bank, which also had an office of its own in the town. The manager and major partner, H. Bailey Harrison, had been a clerk in the Federal Bank branch in Tilsonburg for two years.[82] Obviously, this was a relationship similar to that of M.P. Hayes and the Bank of Commerce in Seaforth. The Federal Bank hoped to cultivate lines of lending through Harrison and McTaggart that they would not and could not carry on their own books. Dr. Alex McTaggart, the other partner in Harrison and McTaggart, had been operating a private bank in Parkhill since 1873, and had lumber interests in Canada and the United States. Harrison received financial backing from his father, a wealthy retired miller in Parkhill, and entrenched himself in the Tilsonburg elite by marrying into the prominent Tillson family. The bank did a large business: reportedly, up to $130,000 passed through the books in the course of a month, and it quickly eclipsed the Federal Bank branch in business volume, largely through the influence of Harrison's father-in-law with Tilsonburg's business elite.[83]

Few financial details of the Harrison and McTaggart bank can be confirmed, but it appears that Bailey Harrison began financing his expensive habits using bank funds at an early stage in the bank's life. He developed a keen interest in Irish setters, establishing a "mammoth kennel," and accompanying his dogs to sporting meets in the United States. When he failed to return from one of these trips, some of the bank's customers, alarmed by rumours of irregularities, summoned his father, John Harrison, to look into the affairs of the bank. The senior Harrison defended his son's character and conduct, offering his bond to cover all liabilities incurred by his son. He attempted to sort out the affairs of the bank, but soon threw up his hands and repudiated all responsibility.[84]

Though of minor importance in the evolution of Ontario private banking, this failure received a great deal of publicity across North America.[85] A wire service story portrayed Bailey Harrison as the 'spoiled brat' son of a wealthy family, who ignored his business responsibilities, ingratiated himself with the Tilsonburg elite, and spent large sums on frivolous and extravagant living, all of which he financed by a "course of systematic fraud," culminating in Harrison's flight to the United States with $10,000 to $15,000 of the bank's funds.[86]

John Harrison's bond covered the liabilities owed to the Federal Bank, but Harrison argued that Dr. McTaggart, his son's partner in the bank, should carry first responsibility for the liabilities. The Federal Bank commenced a lawsuit in chancery division court against John Harrison for $30,000, and won.[87] The elite of Tilsonburg rallied to Bailey Harrison's defence (and to protect his wife, a daughter of the town's leading family.) Eighty Tilsonburg businessmen signed an address of sympathy, and the *Tilsonburg Observer* editorialized that:

> His only crime was one that is common to many men doing a good business – he lived beyond his means. The business having got into difficulties, want of moral courage caused him to leave rather than stay and meet the difficulties as he should have done.[88]

Aligning itself with the local elite, the *Observer* printed nothing of substance regarding the failure. Its coverage of the story consisted only of a sympathetic editorial, the address from Tilsonburg's businessmen, and a paragraph noting John Harrison's loss of the lawsuit initiated by the Federal Bank.

Dr McTaggart ultimately accepted the responsibility for winding up the business of the bank, reimbursing all creditors from his own resources, apart from the disputed obligations owed by John Harrison to the Federal Bank under the bond he had given on behalf of his son. The Harrison and McTaggart failure did not impare Dr McTaggart's fortune or his reputation. He remained one of the most active Ontario private bankers for many more years. The nature of his relationship or arrangements with the Federal Bank after the failure is less clear, but the result was that he began to establish connections with other chartered banks for his remaining offices. Bailey Harrison, reportedly, went to Chicago and set up a business as a commission merchant.[89]

Perhaps suspecting Bailey Harrison's defalcations or other irregularities, the Federal Bank seems to have restricted its credit some months before the failure.

Harrison and McTaggart stopped advertising in the *Observer* on January 10, three months before the bank closed. This suggests that new business was no longer being solicited. Supporting this proposition is a statement made in the address signed by Tilsonburg's merchants:

> We also believe that had not your business been almost forcibly closed through the jealousy of a rival institution you might have worked out of your difficulties and that your House would still have continued to aid struggling and enterprising business men.[91]

The enthusiastic support of Tilsonburg's merchants for the Harrison and McTaggart bank may have resulted as much from a generous credit policy as from the coherence of the local elite, and Bailey Harrison's insistence that losses were sustained through regular banking business is entirely plausible. Regardless of the legitimacy of some of the losses of the Harrison and McTaggart bank, Bailey Harrison's actions confirmed the worst opinions of private bankers held by some members of the public and by chartered bankers: that they used their banks to support high living; that their statements could not be trusted; that they put their money into unwise and even frivolous ventures. The Tilsonburg elite, meanwhile, did their best to forget the embarrassment of the Harrison and McTaggart failure, and lured a branch of the Western Bank into the vacated Harrison and McTaggart premises within three months of the failure.[92]

Any assessment of the Federal Bank's actions with Harrison and McTaggart is confounded by the general difficulties being experienced by the Federal at the time.[93] Losses had forced it to contract credit generally, but this does not rule out the possibility that the Harrison and McTaggart account was becoming worrisome. The fact that Dr McTaggart seems to have avoided a large share of the liabilities suggests that he may well have apprised the Federal Bank of his partner's irregular conduct well before the closure, enabling him to extricate himself from the situation.

The shaky position of the Federal Bank reduced public confidence in the banking system as a whole, both chartered and private. In the summer of 1884 several chartered banks granted temporary loans to the Federal Bank.[94] Fuelled by unsubstantiated rumours, minor runs on deposits and local panics occurred in several regions of the province. In Newmarket, for instance, where the Federal Bank had taken over the private bank of Rowland and Company about two years before, dozens of farmers came to town with the intention of drawing out all their money, and the banknotes of the chartered banks became difficult to circulate. Taking advantage of the situation, one Newmarket merchant tried to boost his sales by giving $5.50 of groceries for a $5 Federal banknote.[95]

Enthusiasm for private banking chains and networks clearly had peaked by 1883, and chartered banks began to take a much more cautious lending policy with all their private banking accounts than they had two or three years earlier. In addition to the failures of six private banks between February 1883 and April 1884, operators of private bank networks began to retrench. In rapid succession, three branch offices were closed by their owners: C. Tait Scott's office in Gorrie; Robertson and Robinson's Mount Forest office; and the Fawcett and Livingstone branch in Wardsville, the latter being sold to John Shaw and Co.[96] The closure of the Robertson and Robinson Mount Forest office followed the retirement of the junior partner of the firm, who had managed the Mount Forest office. The Harriston office remained open under the style of Samuel Robertson and Son.[97] By freezing or reducing the lines of credit to their private bank customers, the chartered banks exercised a very effective restraining force on excessive private bank expansion.

c. The Threat of Federal Regulation

The Mahons' brush with the law, and the adverse publicity their failure generated for private banking in general, may well have restrained others in the industry from following a reckless course. Such was certainly the effect of the entry into the field of a more formidable foe: the federal government. On March 2, ten days after the Mahon failure, and eight days after Minkler's collapse in Waterford, Sir Leonard Tilley, the Minister of Finance, introduced an amendment to the Bank Act dealing with private banks[98] The speed with which the legislation appeared suggests that it was not a direct result of the troubles of the Mahons and Minkler, but had been under consideration for some time, the product of concerns voiced to the government over the previous two years about the rapid expansion of private banks.

It appears, in fact, that some measure dealing with private banks had been under consideration for almost two years.[99] The measure would prevent private banks from using the word 'bank' in their name, or from using any name that might lead the public into believing that they were dealing with a chartered institution rather than a proprietary one. Even though the Mahon affair may not have prompted the amendment, Tilley certainly knew of it, claiming in his remarks that some depositors had suffered losses in the failures of what they believed to be chartered banks.[100] Tilley was alluding to the Mahon Banking Co. and to Marshall Minkler, who had done business as the Waterford Bank. Neither firm could have used these names under the proposed legislation.

Tilley's proposal precipitated immediate controversy, in addition to the partisan party opposition that might be expected in the House. Opinions had become hardened when debate on the measure resumed on March 13, 1883. Edward Blake led off in the attack. He had initially conceded that there might have been some necessity for some regulation of private banks, but his position had now become much less sympathetic. Blake argued that private banks were both numerous and of immense utility to smaller towns, and that the government in no way should try to cripple their operations. Blake was followed by John Fairbank, the Petrolia private banker and the recently elected Liberal member from West Lambton. In his maiden speech, Fairbank made a general defence of private banking, then dealt with the specifics of the Mahon case, claiming there was no evidence anyone was deceived by its name, and that the major loss in a private bank failure was sustained by a chartered bank, not the general public. Rather cleverly, Fairbank pointed out that Tilley had placed large sums of public money in the hands of private bankers, specifically Baring Brothers and Morton, Rose and Co. in London.[101]

Like Blake and Fairbank, a segment of the public and the press interpreted Tilley's attempt to protect depositors as a general attack on the principle of private banking. The *London Advertiser* was particularly vehement, declaring that "Sir Leonard Tilley is at present engaged in making war upon private banks." This editorial concluded that failure was the natural end of poorly managed private banks, as with business enterprise of any kind:

> ....people in all these matters take their risks, and it is very much safer that they should rely upon their own caution and judgment than that they should rely upon the protecting care of the Government. There is not one person in a thousand who does not know that a private bank is a wholly different institution from a chartered bank.[102]

In the case of the Mahon Bank, the public did rely upon their own caution. The savings ledger was surprisingly small, only about $28,000, including the funds in the name of the Tontine Savings Association. Despite the fact that the Mahons paid higher interest than the chartered banks, there were private banks in towns one-twentieth the size of London with larger deposit totals. Notwithstanding their high interest rate, the vast majority of London's saving public shunned the Mahon's bank.

One of the startling facts to emerge from the Bank Act amendment debate was that virtually nothing was known about the size or extent of the private banking industry in Canada. John Fairbank, one of its leading members, thought there might be 150, and perhaps 200, in Ontario. He knew with certainty that 12 private banks did business in Lambton County, compared to three chartered bank offices.[103] Sir Leonard Tilley agreed with Fairbank's estimate, citing as his authority a copy of the Rand McNally *Bankers Directory of the United States and Canada* that was more than a year old.[104] By this stage of the debate Tilley found himself in a defensive position, and he used the directory to show that only about 30 of the 150 private bank offices in Ontario would be affected by his amendment.[105]

During the eleven day interval between the introduction of the amendment and the debate on second reading, it would appear that some of Ontario's private bankers mounted a campaign to pressure both Tilley and the opposition to drop the amendment. This would account for Edward Blake assuming a more strident position, and for John Fairbank proclaiming that their name "is worth thousands of dollars to some bankers," and that the measure "casts a slur on private bankers. It implies they are accepting money on false pretences."[106] It is hardly fair to describe John Fairbank as the spokesman for the private banking industry, since not even he was cognizant of its dimensions, and no organization for private banks existed. As a successful private banker himself, Fairbank did appreciate the general importance of private banks in the economies of small towns, and during this debate he served in the role of spokesman *pro tem*, pressuring both his leader and the minister. It should be noted that Fairbank's own bank, doing business under the style "Vaughn and Fairbank, Bankers," would not have been affected by the proposed legislation, and that the business style of banks such as the Mahon firm bore no resemblance to that of his own.

Edward Trout of the *Monetary Times* supported the Bank Act amendment, with the argument that a corporate designation for private bankers was generally misleading, and that the legislation would not interfere with the legitimate business of these banks, even if they had to alter their name. He did, however, have doubts about the legality of the proposed law.[107] Sir Leonard Tilley had placed himself in a difficult legal and logical position with some of the wording of the proposed amendment, specifically: "....banking companies shall not use the term banking company...."[108] The Opposition, as did some editorial commentators, made full use of this lapse.

Tilley became more defensive as several members strongly attacked the proposal. One member claimed it would have a bad effect on private banking and rural economies, an outcome that "....thousands of farmers and small dealers scattered throughout the country know better, perhaps, than the Hon. the Finance Minister, who doubtless has never been compelled to deal with such institutions."[109] Alexander Mackenzie, the Leader of the Opposition, claimed that Tilley had drafted the proposal in response to a secret petition from the chartered banks. Ross, the member from Middlesex, recalled that a similar measure had already been discussed during the consideration of the 1880 Bank Act, and had been rejected.

When the bill came for discussion in committee of the whole a week later, John Fairbank opened the discussion, in a more aggressive and confident tone than in his maiden speech. Doubtless buoyed by letters and telegrams from private bankers, Fairbank moved that the bill be altered to permit private bankers be permitted to use a corporate name, provided they added the words 'Not Incorporated' on their signs, advertising and stationery. With support from two other members, Fairbank induced Tilley to back down, and to accept his amendment.[110]

Sir Leonard Tilley achieved his goal of making a clear demarcation between chartered and private banks, but it was done in the way that best suited the private banks. Between March 2, when Tilley introduced the bill, and March 20, when it was considered in committee of the whole, Ontario's private bankers seem to have mounted an effective lobbying campaign. Several members spoke of the number of private banks in their constituencies, and Tilley acknowledged receiving communications on the subject of the bill.

The effect of the Bank Act amendment specifying the designation of private banks is difficult to gauge. The trend at the time was already away from the use of corporate names, as private bankers apparently concluded that the use of their surname served as a more effective tool in building public confidence. Some firms used both a corporate and personal name interchangeably, and continued to do so for years.[111] The legal qualifier of 'Not Incorporated' did receive wide use, though it was by no means universally adopted by those firms legally required to use it. In October, 1883, the *Monetary Times* carried a story that the Porteous Banking Co. of Paisley had changed its name to Porteous and Saunders to comply with the act,[112] but this date also coincides with the beginning of Ed Saunders' partnership in the business.[113] In practice, the amendment did not receive diligent enforcement. A charge was laid in 1895 against Robert Paxton of Otterville, who operated as "Paxton & Co., Bankers." The magistrate stayed the proceedings on a technicality.[114]

John Fairbank appears to have been the only member directly connected to the private banking industry at the time the amendment was passed, but he was followed by other private bankers in the federal House. For most of the 1880s and 1890s at least one Ontario private banker sat in the House of Commons. The same situation applied in the provincial legislature. Alex Johnston, Strathroy's pioneer private banker, served as a member of the Ontario legislature at the time of the debate on Tilley's bill.

Private bankers were in a position of great political power, regardless of their direct representation in the House of Commons. Most were leading members of their community, and many worked actively in local riding associations. All could exercise significant local influence in an election. Most rural ridings had at least a couple of private bankers, and some as many as a dozen. The cumulative effect of their influence on sitting members, in both political parties and over such a wide geographic area, probably exceeded that of the chartered banks. This may account for the fact that no serious effort was ever again mounted to regulate or restrict private banking in Canada, or to control it in any way beyond the matter of corporate designation.

d. The Fawcett Failure and Its Aftermath

Private banking suffered two major traumas in the early 1880s. The first was the Mahon failure in February of 1883. The second occurred 19 months later, when Thomas Fawcett's private banking empire collapsed in September, 1884. Fawcett, the former Strathroy building contractor, had in the space of less than a decade built the largest private banking chain ever to exist in Ontario. Ten banking offices were immediately affected: offices owned entirely by Fawcett in Arkona, Alvinston, Watford and Wyoming; those owned in partnership with Charles Livingstone at Thamesville and Dresden; and offices in which Fawcett held a major interest: the Dresden Banking Co., the Millbrook Banking Co., the Mitchell Banking Co., and W.O. Smith and Co. of Thornbury. Charles Livingstone held a partial interest in the Dresden Banking Co. and the Mitchell Banking Co.[115]

Always reticent about his financial affairs and those of his banks, Fawcett never named all the offices in which he held an interest. His style of business, in which he set up his former employees as private bankers and supported them with an initial capital of up to $10,000, allowed him to remain very much a silent partner.[116] One report claimed that he was interested in banking firms in Strathroy, St. Catharines, Halifax, St. Mary's and Lucan, in addition to those already named. The veracity of this report cannot be confirmed. No private banks appear to have failed in 1884 at any of these locations. Fawcett never explained specifically the nature of his financial involvement in any offices beyond the ten first listed above, stating only, "I held an interest in several small affairs throughout the western country."[117] Two other offices not already named or publicly acknowledged by Fawcett can be confirmed. Fawcett set up W.S. Fuller, the manager of his Wyoming branch, as a private banker in Alliston in 1880 as W.S. Fuller and Co., a.k.a. the Alliston Banking Office.[118] Fuller seems to have survived the Fawcett crash, at least initially;[119] W.J. Ward of New Hamburg did not. Commencing his career with Fawcett as a clerk, and then manager of the Arkona office, Ward was set up with his own business in New Hamburg in 1880, "in conjunction with his employer," as W.J. Ward and Co.[120] This office closed the same day as the rest of Fawcett's chain, but contemporary accounts failed initially to list it as one of Fawcett's offices. Three more offices managed by William Lucas and partially supported by Fawcett survived the crash: Lucas, Leacock and Co. of Brigden,[121] and William Lucas and Co., with offices in Markdale and Dundalk. Yet another office, Lucas, Tanner and Co. of Blyth, was owned partially by Alex Lucas, Fawcett's manager at his Alvinston office.[122] It survived until it was sold in 1895.

The list of banks in which Fawcett was reported or rumoured to have an interest in totals 20, and his involvement can be confirmed in 15 of them (See Figure 5.1). The chain had been even more extensive two years before the failure, when it included the offices of Fawcett, Livingstone and Co. in Wardsville (sold to John Shaw in 1883) and Wallaceburg (closed in 1882), a short-lived office in Stratford, and branches operated briefly in 1882 by W.S. Fuller at Tottenham,[123] and by W.J. Ward at Plattsville.[124]

As was the case with the Mahon brothers, Thomas Fawcett's demise resulted from a deteriorating relationship with his supporting bankers, the Bank of Montreal and the Merchants Bank. The latter had begun to entertain serious concerns about the

Figure 5.1

Banking Offices Owned, Controlled or Supported by Thomas Fawcett

town	firm	dates	notes
Alliston	W.S. Fuller & Co.	1880-1884	
Alvinston	Thomas Fawcett	c1876-1884	Alex Lucas, mgr.
Arkona	Thomas Fawcett	c1877-1884	W.J. Ward mgr. to 1880
Blyth	Lucas, Tanner & Co.	c1881-1895	Alex Lucas & Charles Tanner
Brigden	Lucas, Leacock & Co.	1879-1885	William Lucas & H.J. Leacock
Dresden	Dresden Banking Co.	c1878-1884	aka Fawcett & Livingstone
Dundalk	William Lucas & Co.	1882-1910	branch of Markdale
Halifax	?	?	unconfirmed
Lucan	?	?	unconfirmed
Markdale	William Lucas & Co.	1880-1918	
Millbrook	Millbrook Banking Co	1881-1884	owned by Fawcett
Mitchell	Mitchell Banking Co.	1879-1884	owned by Fawcett & Livingstone
New Hamburg	W.J. Ward & Co.	1880-1884	
Plattsville	W.J. Ward & Co.	c1881-1882	branch of New Hamburg
St. Catharines	?	?	unconfirmed
St. Marys	?	?	unconfirmed
Stratford	Thomas Fawcett	c.1881	
Strathroy	?	?	unconfirmed
Thamesville	Fawcett & Livingstone	c1881-1884	
Thornbury	W.O. Smith & Co.	1881-1884	50% owned by Fawcett
Tottenham	W.S. Fuller & Co.	c1881-1882	branch of Alliston
Wallaceburg	Fawcett & Livingstone	c1879-c1882	
Wardsville	Fawcett & Livingstone	c1881-1883	sold to John Shaw
Watford	Thomas Fawcett	c1874-1884	nominal head office
Wyoming	Thomas Fawcett	1878-1884	W.S. Fuller mgr. to 1880

[Sources: *Monetary Times;* Alliston *Herald; London Advertiser; Markdale Standard;* New Hamburg *Canadisches Volksblatt; Stratford Beacon;* Strathroy *Age;* Toronto *Globe;* Toronto *Daily Mail; Toronto Daily News;* Watford *Guide-News;* Fawcett Papers, University of Western Ontario.]

Fawcett account more than two years before the failure.[125] The Merchants Bank seems to have reduced its exposure with the account. By the time of the failure, almost a third of Fawcett's funds were supplied by the Bank of Montreal, and a third bank, Molson's, shared the account to a minor extent.

On 20 September 1884, a Saturday, the Bank of Montreal in London refused to cash two cheques drawn on Fawcett's Bank. The following Monday, Fawcett spawned rumours that he had absconded when he made a hurried visit to his Wyoming branch.[126] After his return and some hasty consultations, the Bank of Montreal cashed the cheques later in the day, explaining that a mistake had been made.[127] Occurrences such as this could have many explanations, but this one produced a commotion in London, suggesting that doubts about Fawcett's financial viability were current in that city. By the next morning, exaggerated reports had been telegraphed to Montreal, creating "a genuine sensation in financial circles" there.[128] When the stock exchange opened on September 23, Bank of Montreal stock immediately dropped $5.50 per share.[129] The cheques had been refused because Fawcett had failed to provide sufficient security on his loan. His account was in order later in the day. Meeting late into the night, Fawcett, the London managers of the Molson's, Montreal and Merchants Banks, and some of his business associates tried to resolve the difficulties. To place the account on a sounder footing, the manager of the Bank of Montreal offered to loan Fawcett a further $50,000 on acceptable security. Two other London businessmen offered to place $10,000 each in his bank. Fawcett rejected these offers, declaring, "the amounts would be as a drop in a bucket."[130]

In view of later events, it seems that the meeting between Fawcett and his bankers did not conclude amicably. In all likelihood, the Bank of Montreal demanded either a reduction in the loan or more security. Unable to comply with either request, Fawcett resisted, threatening to close his banks. An inordinate number of the notes rediscounted at the Bank of Montreal were past due, and this bank had further concerns that Fawcett had overextended himself with his involvement in two new chartered banks, the Provincial Bank and the Bank of London.[131] In any case, the doors of the banks Fawcett controlled directly closed forever the next morning, September 23.[132] The following day, Fawcett sent instructions by telegraph to the remaining bank offices in which he held an interest to close.[133]

Estimating Fawcett's total liabilities became something of a parlour game, with figures ranging from $400,000 to $1,000,000. Bankers in Montreal and London tried to play down the seriousness of the crisis, but the fact that C.F. Smithers, the president of the Bank of Montreal, personally spoke for his bank demonstrates that the matter was taken very seriously at head office. Both Smithers and George Hague, general manager of the Merchants Bank, placed Fawcett's total liabilities between $400,000 and $500,000.[134] Almost simultaneously, Fawcett contradicted the statements by the Montreal bankers, telling a reporter that he could not "state definitely the total amount, but at a rough guess they cannot be far short of $800,000 or $900,000."[135]

Like the Montreal bankers, Fawcett was unusually loquacious on September 23. He told reporters that assets would far exceed the liabilities, but hinted that if he "were forced into liquidation or into the hands of the assignee, some of the securities held would not realize their face value." Fawcett hesitated to estimate the value of the deposits at his banks, but agreed that they had declined recently. He confirmed the figure of $60,000 as the average loan total at each of the branches, but revealed that some individual produce and grain accounts could go as high as $100,000 for brief periods. Fawcett declared that the true causes of his difficulties were a decline in the cattle and commodity markets, which had led farmers to withhold their products from the market, and a general slowness with collections for both wholesale and retail merchants.[136]

In Montreal, Hague, Smithers, and Thomas Workman, general manager of Molson's Bank, remained sanguine over the Fawcett affair, though all admitted the possibility of slight losses to their respective banks. Hague acknowledged that the Merchants Bank was involved to the extent of about $250,000, but felt secure in the fact that all of Fawcett's promissory notes discounted by the Merchants Bank had been endorsed by one, and sometimes two, additional parties. He felt the account was amply covered by margins, with security held amounting to $50,000 more than the loans. When interviewed again on September 24, Smithers did not reveal the interest of the Bank of Montreal in Fawcett's chain, but the figure of $140,000 was generally bandied about. He also revised his estimate of Fawcett's total liabilities upward to $700,000. In analyzing the failure, Smithers attributed some of Fawcett's difficulties to recent troubles at the Federal Bank:

> The exact amount of deposits Mr. Smithers is not acquainted with, but he thinks they are comparatively light, as Mr. Fawcett admitted that, when the Federal Bank tottered, a steady drain on all the branches took place where Mr. Fawcett was supposed to be a partner. It is Mr. Smithers' opinion that it was this drain, with the farmers not paying promptly, that precipitated the collapse.[137]

Fawcett's failure occupied the major portion of the directors' meeting of the Merchants Bank on September 24. It was confirmed at this meeting that all of Fawcett's own offices had closed, as well as those in which Fawcett and Livingstone held an interest: the Mitchell Banking Co., the Dresden Banking Co., W.S. Fuller and Co., and W.J. Ward and Co. No action was taken by the board pending the arrival of further information.[138]

Meanwhile, in Watford the majority of residents expected an early resolution to the crisis, though depositors stood around on the streets discussing the affair, and much of the regular commerce of the village was disrupted. Published estimates placed the deposit total at the Watford branch at $100,000, with a further $80,000 at the Wyoming office. Fawcett had a local reputation as a very liberal lender, and had encouraged farmers to go into stock raising with borrowed money.[139] He invested heavily in local commercial property himself, playing a major part in the rebuilding of the commercial section of Watford after a major fire in 1880.[140] In Watford, and in the other towns where he did business, Fawcett enjoyed personal popularity.[141]

A week after the failure, the effects of the financial disruption intensified. Clearly, the impact on the economies of many of the towns in southwestern Ontario would be more severe than originally anticipated.[142] In Watford, "local business was thrown into confusion."[143] Merchants and farmers could not get access to their deposits or take out new loans and obtain renewals. The payments system that had operated through the Fawcett branches no longer functioned, and businessmen scrambled to make alternative arrangements. Grain buyers in Watford, for instance, managed to secure credit elsewhere, and made their purchases from farmers in cash, rather than by cheque on Fawcett's Bank as formerly.[144] Towns where Fawcett did not do business also felt the effects of the failure. A large number of merchants in Petrolia dealt at Fawcett's Wyoming branch,[145] where, evidently, credit was much more readily granted than at the private bank of Vaughn and Fairbank in Petrolia.

As the crisis wore into its second week, the public mood became restive and uneasy. A number of depositors banded together, and retained a solicitor to look after their interests.[146] Another symptom was a run on Watford's other private bank, operated by the Campbell brothers. It had been established initially as an adjunct to their grain business. Immediately after the failure, Campbell's Bank had made special arrangements to handle payments and cheque cashing in Watford. Soon, however, their deposit base started to wither, and their banker, Molson's Bank, began to pressure them for better security, even though they were borrowing less than $5,000.[147] The Campbells decided to wind up their bank, with M.S. Campbell and three local trustees in charge. Their statement at the time of closure showed $51,000 in assets, against liabilities of $43,500, $39,000 of which consisted of deposits to the general public.[148] Campbell's Bank ended in an orderly liquidation, and all depositors were paid. The Campbells retained their stature in the community: M.S. Campbell became reeve of Watford in 1885, less than three months after the closure of Campbell Brothers Bank, by acclamation.[149] The following year he was appointed the police magistrate for Lambton County.[150]

Thomas Fawcett's affairs became more complicated in mid-October, when the sash and door factory in Strathroy, operated by his brother, W.F. Fawcett, assigned for the benefit of his creditors. The Fawcett brothers had been partners in this business before Thomas embarked on his banking career. Many people believed he held a continuing financial interest in it.[151]

In the meantime, inspectors from the chartered banks attempted to decipher Fawcett's accounts. The Merchants Bank directors in Montreal reviewed the account on October 1, and concluded that they would realize fully on Fawcett's line of credit, but three days later passed a resolution to limit credit to private banks in the future to $50,000.[152] Thomas Fawcett managed to have one of his own men, Alex Lucas, manager of his Alvinston branch, appointed trustee. A hostile atmosphere enveloped the hall when the first creditors' meeting convened on October 20, a full month after the failure. Fawcett defended the position of Alex Lucas as trustee by telling those present, over 200 in number, that the chartered bankers had attempted to have a high-powered London lawyer appointed to the post, and he had resisted in the interests of the depositors. Some present showed their pleasure at this anti-urban gesture, but others became even more dissatisfied when Fawcett failed to produce any sort of financial statement, and only promised one in three weeks. Depositors had another reason for alarm – Fawcett confirmed that the security held by the chartered banks was the first charge against the assets of the bank. At this meeting, Fawcett advanced a new explanation for the failure. When his cheques had initially been refused by the Bank of Montreal, the wholesale men who presented them had telegraphed merchants in Watford and other towns where Fawcett operated branches, urging them to withdraw their money. This had caused widespread panic and a run on his banks.[153]

Fawcett did not produce his long-promised financial statements until November 20.[154] To a meeting of 400 depositors in Watford, he began by reading a statement of the losses suffered by his bank since its inception, amounting to, in aggregate, $145,300. One lending account in particular demonstrated the inadequacy of Fawcett's credit policies. He lent a cattle exporter $5,500 to finance a shipload of cattle to Glasgow, taking as security an improperly completed insurance policy and a mortgage on a heavily encumbered, partially constructed hotel. The cattle were lost at sea, and the exporter lost everything. When his customer returned to Watford, Fawcett lent him a further $4,000 to invest in the Northwest, "with which he did well," according to Fawcett, who then advanced a further $2,000. When his customer failed, Fawcett wrote off $11,000 in total. Another large item was a $6,500 loss on inadequately insured buildings destroyed by fire in August 1884.[155]

Fawcett's statement of assets and liabilities, dated 13 October 1884, showed total assets of slightly more than $267,300, of which $180,000 was listed as "timber limits in the northwest," and $20,000 as Manitoba real estate. Liabilities consisted of $196,300 due to depositors, and $20,000 of other claims. Neither the debts to the chartered banks nor the notes rediscounted as security for them were included in the statement, which represented the affairs of only the four offices solely owned by Fawcett. There was an apparent surplus of almost $52,000, but this was predicated on the timber limits being worth the full value of Fawcett's estimate. Depositors' questioning revealed additional information. The Merchants Bank was owed $125,000, against which it held $135,000 of discounted paper; and the Bank of

Montreal's claim was $135,000, supported by more than $165,000 of security.

Dissatisfied with the statements presented by Fawcett, or by Alex Lucas, to whom Fawcett had assigned his assets during the last week of October 1884,[156] several depositors demanded that a committee of investigation be set up to examine the books in each of the branches, and to try to place an honest value on the assets. The depositors quickly appointed such a committee, with representatives from Watford, Wyoming, Arkona and Alvinston, under the chairmanship of Peter Graham, M.P.P., of Watford. This meeting degenerated into shouting and animosity as a large portion of the depositors demanded more accurate information. Some had come to the meeting expecting an offer of a settlement from Fawcett, which he stated was impossible until the chartered banks had been dealt with.[157] At the conclusion of the meeting, a number of claims changed hands at low prices.[158] One depositor was reported to have sold a claim of $1,100 for $75 cash.[159] The market value of claims on Fawcett's banks were declining rapidly. A month earlier they had been changing hands at 30 cents on the dollar.[160]

Few believed that the land and timber rights in the northwest were worth anything near Fawcett's estimated value of $180,000. Fawcett had acquired these assets, according to the *Monetary Times,* for less than a tenth of this amount.[161] The *London Advertiser* set Fawcett's purchase price at $5,025.[162] Although Fawcett consistently refused to reveal the purchase price, or their current market value, he claimed to have turned down $147,000 for the timber rights in 1883.[163]

By this time a new development dismayed another class of Fawcett's customers – those who had borrowed money from his banks. A number had made partial payments on loans at the various branch offices, the promissory notes for which were held by the chartered banks as security for Fawcett's loans. Backed by solid legal opinions, the chartered banks announced their intention to collect the full face amounts of these notes. By the chartered banks' reasoning, the partial loan payments at the branches ranked equally with deposits. If this policy were to prevail, borrowers would be forced to repay the entire original amounts of their loans to the chartered banks, and then line up with depositors to claim the partial payments they had already made.[164] This decision by the chartered banks permanently soured the relationship between themselves and the communities where Fawcett had done business, and erased what little remained of the esteem once held for Fawcett.

The banking offices in Dresden and Thamesville, which operated under the style of Fawcett, Livingstone and Co., were wound up separately from those controlled exclusively by Fawcett. Charles Livingstone fared much better than Fawcett in his dealings with the depositors. At a meeting in early November, 1884, the creditors appointed Livingstone and two other trustees to wind up the affairs of the Fawcett, Livingstone and Co. offices. Livingstone assigned all his personal property to the estate.[165] "His meeting of creditors seems to have indicated confidence in his management," stated the *Monetary Times.* Livingstone had reportedly invested $17,000 of his own capital in the firm.[166] He seems to have lost it all.

Few details emerged about the affairs of the other branches in which Thomas Fawcett held an interest. In the days immediately following the failure, Fawcett had included them among his holdings, as had George Hague of the Merchants Bank, but none of the financial statements issued later listed any of them. To minimize his involvement, he may have succeeded in classifying his interest in them from that of partner to that of depositor. This action would have allowed these offices to carry on business, and to keep their assets out of the hands of Fawcett's creditors. There was also the matter of his personal property, which he had not assigned to the estate. He had not even issued a statement of his other assets. His London mansion was reputedly worth $15,000;[167] he had purchased it in 1883 when he had moved from

Watford to London to be closer to his growing business activities in the Forest City.[167] There were also his shares in the Bank of London, the projected Provincial Bank, and the London Trust and Stock Co., among other holdings.[168]

Following the November 20 meeting, Peter Graham's depositors' committee engaged an accountant, who carried on his investigation quietly until 15 January 1885. His work came to an abrupt end when the books and ledgers were mysteriously abstracted from the vault at Fawcett's Watford office. "The safe burglarized and the books stolen – Mr. Fawcett gone to the land of the free," was the way headlines in one of the Watford papers announced the theft to the public.[169] The burglary prompted Graham to call a meeting of depositors, who learned on 23 January that the accountant discovered 15 ledgers missing when he opened the vault, and that further investigation revealed their remnants in the furnace. The thief had removed the ledgers of the Arkona, Alvinston, Wyoming and Watford offices, along with some of the accountant's notes and papers.[170]

Despite the theft, the accountant, T.A. Kirkpatrick, managed to present a fairly accurate statement, using his notes and records in the possession of the Bank of Montreal and the Merchants Bank. Kirkpatrick discovered a number of unexplained cash withdrawals and cheques on the various branches, drawn by Thomas Fawcett personally, with the proceeds apparently deposited in an account at the Merchants Bank in London. These aggregated in excess of $44,000 between January and September, 1884. He planned to query Fawcett on these, but the latter had left the province on a "short trip." Kirkpatrick had a list of demands of Fawcett: a clear accounting of all the claimed losses; the application of the proceeds of a farm mortgage; the disposition of Fawcett's stock in the Bank of London; and the amount paid for the northwest timber limits.[171]

The burglar was never identified. Few of the depositors entertained doubts as to who was responsible. The culprit must have had or been provided with the combination of the vault, and must have been able to identify the documents to be removed to end the investigation into Thomas Fawcett's irregular withdrawals of cash. Thomas Fawcett could not have performed the robbery himself. The theft took place between January 10 and 15. Fawcett left for the United States on January 8,[173] for a visit, as it turned out, to the World's Fair in New Orleans.[174]

Kirkpatrick's statement, combining the positions of the Watford, Wyoming, Alvinston, Arkona and Millbrook branches, showed total liabilities to the public and the banks of almost $488,000, only partially offset by assets of about $376,000. Of the shortage of $147,000, Kirkpatrick could only account for losses of $103,000; the remainder consisted of the mysterious cash withdrawals by Fawcett over the first nine months of 1884. His valuation listed property and real estate at $51,000, and he indicated that, in their existing undeveloped state, the Manitoba timber lands, on the shore of Lake Winnipegosis, were virtually worthless. At a second depositors' meeting on January 27, Kirkpatrick expressed his suspicion that Fawcett had other investments which had resulted in losses, including shares in the St. Lawrence Bank, and investments in the Strathroy Woolen Mills, the Champion Foundry of Arkona, and Taylor's Oil Refinery in Wyoming, the extent of which he was unable to determine.[175]

Kirkpatrick's statement bore no resemblance to that provided by Thomas Fawcett two months previously (See Figures 5.2 and 5.3). The total liabilities approximated the estimates made at the outset of the failure by George Hague of the Merchants Bank and C.F. Smithers of the Bank of Montreal, though both men had probably included more offices in their estimates. Kirkpatrick did not comment on the other offices in which Fawcett had a share. Claims for these seem to have been late in arriving. In early February, Alex Lucas received one for $5,005 from the manager of Molson's Bank, Meaford, against W.O. Smith and Co. (the Co. being, apparently,

Figure 5.2

Thomas Fawcett's Statement of his Bank
Presented to Depositors 20 November 1884

(Rounded to nearest $100)

Liabilities:			
Deposits	$195,300		
Other claims	20,000		
			$215,300
Assets:			
Bills receivable & mortgages		37,000	
Due current account		3,700	
Real estate, Watford		20,000	
Real estate, northwest		20,000	
Office furniture, etc.		3,500	
Cash		3,000	
Timber Limits		180,000	
			267,000
Surplus			$51,900

[Source: *London Advertiser,* 21 Nov. 1884.]

Figure 5.3

Statement of Fawcett's Bank
Prepared by T.A. Kirkpatrick, January 1885

Only offices owned outright by Thomas Fawcett

(Rounded to nearest $100)

Liabilities:				
Deposits:				
Alvinston		$46,856		
Arkona		20,511		
Millbrook		38,001		
Watford		78,500		
Wyoming		23,781		
			$207,480	
Other obligations			24,400	
Due to chartered banks			256,100	
Profits			35,000	
				$522,980
Assets:				
Bills rediscounted		$310,000		
Less losses on notes		35,000		
			275,000	
Cash and bills receivable			45,200	
Real estate, Watford and northwest			50,900	
Other assets			4,800	
				375,900
Deficit*				$147,100

* Kirkpatrick could account for only $102,700 of the deficit.

[Source: Watford *Guide-Advocate,* 30 Jan. 1885.]

Thomas Fawcett), of Thornbury.[176]

A portion of Fawcett's difficulties had arisen from his infatuation with Manitoba land. The Winnipeg boom had long collapsed by 1885, but the lure of the northwest remained strong in southwestern Ontario. T.A. Kirkpatrick and many of the depositors soon caught the fever themselves. To recover their deposits, Kirkpatrick encouraged the depositors to form a committee to develop the timber limits, which covered more than 140,000 acres. The popular belief was that the completion of the Canadian Pacific Railway would result in a renewed building boom on the prairies. Surprisingly, the depositors, at least those in Wyoming and Arkona, jumped at Kirkpatrick's suggestion. To retain the timber rights, a sawmill had to be built immediately: the time limit had already expired; as well, the annual fee of $2 per square mile was in arrears. Sixty depositors in Wyoming, representing $20,000 of the $23,000 on deposit there, initiated the attempt to form a company.[177] A week later, joining the movement to throw good money after bad, depositors in Watford began signing up.[178] In the end, nothing ever came of this adventure.

To everyone's surprise, Thomas Fawcett returned to London in early February. Unrepentant and boldfaced, he addressed a letter to the public through the *Watford Guide-News,* disclaiming all responsibility or knowledge of the burglary, and arguing that it was done by someone to cause him embarrassment. He had nothing to fear from the contents of the ledgers, and could have taken them weeks before had he wished. He stood by his figure for losses of $145,000 in the bank, and stated he had been always prepared to explain the mysterious $44,000 of cash withdrawals to T.A. Kirkpatrick,[179] a statement at variance with Kirkpatrick's claim that, despite repeated attempts, he had never been able to secure a face-to-face meeting with Fawcett.[180]

Realizing on Fawcett's assets became a protracted process. Alex Lucas scheduled an auction sale of the real estate on 15 April 1885, which included the 221 square miles of timber rights, 10 stores in Watford, and a house, as well as a quantity of farm equipment.[181] Most of the property did not meet reserve prices, and the sale realized only $3,800. In attendance at the sale was Alex Johnston of Strathroy, the celebrated founder of private banking in Ontario, observing the proceedings silently.[182] Lucas attempted a second sale of the real estate in November, 1885. Fawcett's property on Watford's main street, housing six business and the Bank of London office, brought in only $3,655.[183] By this time over a year had passed since the failure, and the estate was still far from a final settlement.

As the Fawcett affair dragged on, the business communities in the towns formerly served by Fawcett's banks became desperate to secure alternate banking facilities. Of the four villages, Watford had the largest business sector, and its leaders began petitioning for a chartered bank branch within two weeks of the failure. Regular meetings took place to co-ordinate their strategy, and business leaders prepared statements showing the volume of grain and cattle shipped from Watford.[184] They identified Molson's Bank as their best prospect. This bank already had some involvement in the business of the town as a minor Fawcett creditor, and it desired to increase its presence in Ontario. The president and the general manager visited Watford together at the end of October, and the *London Advertiser* announced that a branch would be opened,[185] but nothing came of the effort.

The Merchants Bank and the Bank of Montreal had little inclination at this time to expand their branch networks, though both did add branches in the early 1880s in places with good prospects. In dollar volume, Fawcett had built up a huge business, but both the Merchants Bank and the Bank of Montreal seem to have regarded much of it as unsound or undesirable from their point of view. By the end of the intensive examination of the books performed by their inspectors, their senior officers were certainly in a position to make an accurate evaluation. Another factor that must be considered is the public hostility that the Bank of Montreal and the Merchants Bank created for themselves in squeezing out, by all the legal means possible, every cent they could out of the wreck of the Fawcett empire. Neither bank made an attempt to invade Fawcett's former bailiwick with bank branches until the twentieth century.

Few industrial accounts existed in Fawcett's towns, and no large commercial ones, with the exception of the grain and commodity dealers. His business had been divided among produce dealers, small-town merchants, and farmers. The lack of enthusiasm by the general managers of the chartered banks for opening new branches banks in place of Fawcett's offices is understandable. After the rejection from Molson's Bank, Watford's merchants approached the Bank of Commerce. Following an investigation, this bank concluded that a Watford branch would be unprofitable,[186] though its own deteriorating financial position in 1884-85 may have discouraged its managers from serious consideration of branch network expansion.[187] As well, W.N. Anderson, the general manager of the Commerce, had never shown strong enthusiasm for small town branches. His actions over the previous two or three years had alienated the business community in several towns in western Ontario, and infuriated some of his own managers there. "Anderson has ruined the Bank in these parts, and the branch will have to be closed," wrote the branch manager at Parkhill.[188] In the end, all these towns had to be content with another generation of private banks, rather than chartered bank branches.

As the Fawcett affair dragged on through 1885 and into its second year, the chartered banks experienced increasing difficulties in realizing on their security. An Alvinston merchant, George Eastman, launched a civil suit against the Bank of Montreal and the Merchants Bank, challenging the right of the banks to rank as general creditors of the Fawcett estate.[189] When the two banks had realized that the proceeds of their security would not repay all of their loans to Fawcett, they had succeeded in convincing the assignee, Alex Lucas, to include them in the list of creditors with unsecured claims against the residual of the estate. This, in effect, allowed the banks to rank as equals with the depositors, and would greatly diminish the amount of money available to repay the deposits. The depositors' committee challenged the action of the banks and assignee in the chancery division court, where it was heard in September 1885 as *Eastman v. The Bank of Montreal.*[190] The court ruled, with some qualifications, in favour of the chartered banks.

This case clarified a number of legal issues regarding failures of private banks. In essence, the main issue was to establish at what point, if any, the chartered banks could rank as general creditors of the estate, when the realizations on their security failed to meet the total of their outstanding loans. In the Fawcett case, three dates could be considered: the date of suspension of payment by Fawcett's banks; the date of the assignment to Alex Lucas; and the date of the payment of the dividend of the residual of the estate. The depositors argued that the banks should be creditors only to the amount of the shortfall on their realizations; the banks and assignee claimed ranking for the whole original amount of the loans. A second legal point involved the nature of the security held by the chartered banks. The Bank of Montreal had rediscounted the individual notes of Fawcett's customers, which were endorsed by Fawcett, and held additional notes of his customers as collateral security. The Merchants Bank had loaned money to Fawcett only on promissory notes signed by him. As additional collateral security, the Merchants Bank held some of the promissory notes signed by Fawcett's customers for their loans from his bank.[191]

Counsel for both Eastman and the Merchants Bank tried to argue a distinction between the positions of the Merchants Bank and the Bank of Montreal, with the former being in a more favourable position. Justice Boyd held that both banks were in "substantially the same position," and that, although the Bank of Montreal had rediscounted a number of notes of Fawcett's customers, these notes did not represent individual loans from the Bank of Montreal to Fawcett. There was only one loan, the terms of which were established as a contract when the line of credit had been given. On the main point, the establishment of the bank's entitlement to share in the general proceeds of the estate, Justice Boyd held that "a creditor is entitled to prove for the whole amount of his debt, up to the full amount, without prejudice to his rights against securities," and that to hold otherwise "would virtually deprive the creditor of any advantage in his security."[191] Citing several cases under the Winding-Up Act, Justice Boyd ruled that the amount due to the banks was the amount outstanding on the day of assignment, and that the banks could rank as creditors to this amount against the residual of the estate, but that their prior realizations, combined with any dividend, could not exceed the original amounts of the loans. The ruling meant that the promissory notes the banks had collected during the weeks between the closure of Fawcett's offices and his assignment to the trustee were not involved in any way in the settlement of the estate. However, the banks could claim the full amount of their loans outstanding on the day of the assignment, despite the fact that since that date they had collected payments on a considerable portion of the promissory notes held as security.

The case had been followed closely by bankers. The directors of the Merchants Bank directors discussed the ruling on the day it was handed down.[192] To the depositors in Lambton County, the decision marked another step in their deteriorating position.[193] At a hastily convened depositors meeting, the committee decided to appeal the decision, and to make no division of the balance on hand until the ruling of the appeal court was handed down.[194]

The High Court of Justice at Osgoode Hall did not rule on the appeal until 10 May 1887. In a split decision, the ruling of the lower court, in favour of the chartered banks, was upheld.[196] The decision permitted the assignee to divide the remaining assets and wind up the estate. The final statement prepared by Alex Lucas showed that only $36,356 had been realized from Fawcett's assets not controlled by the banks, from which were deducted $12,000 in expenses. Claims against the estate totalled $504,987. The declared dividend amounted to four and three-quarter cents on the dollar.[197] Had the chartered banks been eliminated completely as unsecured creditors, the depositors would still have only realized 10 cents on the dollar.

The *Watford Guide-Advocate* recorded the end of the Fawcett affair briefly and with a sense of relief:

> It will be three years next September since Thomas Fawcett, then carrying on the most extensive private banking business in Ontario, went to the wall with a crash that crippled and financially paralyzed for a time hundreds of the residents of Western Ontario. The history of that unfortunate affair is too well known to our readers to require recapitulation here....This rings down the curtain on a drama in which Fraud, Farce, Comedy and Tragedy were badly mixed up.[198]

One of the last of the comic ironies of the Fawcett case occurred early in 1886, when T.A. Kirkpatrick, the chartered accountant who had attempted to uncover the sordid details of Fawcett's finances, opened a "Banking and Exchange Office" in London, in cooperation with the shaky Federal Bank.[199] It was short-lived business, closing when the Federal Bank went into voluntary liquidation in 1888.

The division of the remaining Fawcett assets gave the Bank of Montreal an additional $6,126 and the Merchants Bank $6,394, but even with these sums, both banks failed to recover all of their advances. They never revealed the exact amount of their losses. Fawcett's failure ended large lines of credit from the chartered to private banks. The Merchants Bank, for example, had begun tightening its rein on its private bank customers in 1882, first raising margin requirements, and then placing an upper limit of $50,000 on private bank accounts.[200] Requirements later became even more stringent. In 1889 the Merchants Bank required a 25% margin on a $30,000 line of credit with Porteous and Saunders of Paisley, one of their best private bank accounts.[201] There is no evidence that the Merchants Bank ever exceeded their self-imposed $50,000 limit on private bank accounts, and it appears that the other chartered banks adopted similar policies. Despite his experience with the Thomas Fawcett account, George Hague, general manager of the Merchants Bank, remained an enthusiast of well-managed private banks until the day he died.[202] During his tenure as general manager, the Merchants Bank continued to add private banks as clients, maintaining the largest share of this business by far of any Canadian chartered bank. Fawcett's original line of credit with the Bank of Montreal had been $100,000. He requested an additional $25,000 about two years before the failure. The Bank of Montreal required security on this additional credit of 33% more than the amount loaned, compared to their normal margin of 10% on private banks, indicating that they felt some nervousness about the account as early as 1882. Immediately prior to the failure of Fawcett's Bank, the Bank of Montreal's security position had deteriorated. An excessive number of Fawcett's customers had renewed their notes, and others were paid by his customers and removed from the collateral security, though Fawcett did not make payments on his own loan.[203]

Fawcett could not have undertaken the rapid expansion of his banking empire without the support and encouragement of the chartered banks. On the surface, the chartered banks had appeared to be in a good position with his account at the time of the failure. Their margin on the rediscounted notes they held – $310,000 worth as security for $256,100 in loans – exceeded, at 21%, the requirement of the Merchants Bank directors. However, the banks did not seem to realize that Fawcett had collected partial payments on some of the notes they held as security. The total amount of these payments seems to have been about $25,000.[204] This effectively reduced their margin on the Fawcett account to about 11%. Although the banks tried to collect the full face amounts of these notes, and fought a protracted court case to confirm their legal right to do so, they undoubtedly encountered stiff resistance from farmers and other borrowers who resented being pressed to pay the same loan twice. It is extraordinary that neither the local managers nor head office staff detected this deficiency in the security, or to take effective remedial action if they did recognize it. Fawcett's account may well have been a case where bankers, while not turning a blind eye to irregularities, tolerated them too long because the account was large and seemingly profitable. As well, most of the notes had been endorsed, or co-signed, by one, and sometimes two names. However, a number of cases, Fawcett's borrowers had endorsed notes for one another. By dividing his account between two chartered banks, Fawcett was able to disguise the true state of his affairs. Similar practices had created problems for other banks, as far back as a half-century before.[205] The nervousness of the Bank of Montreal over Fawcett's account, and the close attention paid to it by the directors of the Merchants Bank for almost two years before the failure, must have resulted from reports on the street, and trends in the operation of the account. However, for both banks, close monitoring did not equate to corrective action. As well, Fawcett's losses in several industrial enterprises, and his financial involvement in two new chartered banks and other investments were well known. At the time of the failure, Fawcett had pledged virtually every negotiable instrument in his possession to the banks. His most recent financial statement to the banks was several months old. He may have stalled in supplying a fresh one; such conduct would have been consistent with his behaviour through the crisis. It is clear that the chartered banks had still not instituted effective procedures for the supervision of their private bank accounts, despite their belief to the contrary.

It is impossible to unravel Thomas Fawcett's financial affairs in detail from the fragmentary and sometimes contradictory evidence that has survived. At heart a promoter and entrepreneur, rather than a banker, Fawcett never expended much time on the details of bookkeeping and accounting. For example, his various banking offices used different accounting systems, and the largest of them, the nominal headquarters in Watford, did not use a double entry system. T.A. Kirkpatrick, the investigation accountant, did not believe the single entry system at Watford was maintained to help cover irregularities, but rather, resulted from the growth of the business over the years from a small and insignificant operation.[206] Fawcett had simply never bothered to institute systematic bookkeeping and reporting procedures.

Assessments of Fawcett's banking career should not be based entirely on the failure. Before his troubles, and notwithstanding his deficiencies as a banker, he had built a successful business over the course of a decade. His banking difficulties coincided with his increasing involvement in outside ventures. When he suffered financial setbacks, his response was always to gamble one more time on a new venture. Adversity makes the true banker cautious; the entrepreneur more aggressive.

Fawcett never revealed his initial investment in his banks, and the figure cannot be deduced from other sources. One report put the amount at $75,000 to $100,000;[207] T.A. Kirkpatrick pointed to $20,000 as a more realistic figure.[208] Dun and Wiman had rated Fawcett's financial strength at between $50,000 and $100,000 in the late 1870s and early 1880s, moving him a category higher shortly before the failure. Compared to others firms in the private banking business, Fawcett ranked higher than most, but below Alex Johnston of Strathroy and J.H. Fairbank of Petrolia. A number of private bankers, such as Robinson and Robertson of Harriston and J.W. Rapley of Kincardine, equalled Fawcett in the reported extent of their financial resources, but they not operated the extensive banking network that Fawcett did.

Like Thomas Fawcett, the chartered bank officials involved in his failure left few candid comments for posterity. The chartered banks' belief that a large private banking business such as Fawcett's could be handled in much the same way as any commercial account – secured by margins and endorsements – is as much the cause of the failure as Fawcett's own reckless and cavalier business practices. Fawcett built up, in sheer dollar volume, a sufficient business at his branches to support chartered bank branches. His discounts averaged $65,000 at the five branches he controlled, and the deposits over $50,000. Nevertheless, this was business the banks did not desire for themselves. They declined to compete with Fawcett for it, and when he failed, they remained disinclined to set up branches in rural Lambton County. Financial observers recognized that much of Fawcett's agricultural lending, for beef cattle, was unsound and unwise at a time when beef and cattle markets exhibited an extraordinary degree of volatility, and when a major source of additional cash income for many farmers, the timber industry, was also in depression.[209] Fawcett had built up a popular reputation as a liberal lender, and a defender of local economic interests against outsiders. He continued to use this pose as a defender of his depositors and borrowers after the failure until it could no longer sustain any credibility.

The chartered banks' guarded assessment of prospects in Lambton's agricultural sector may have been based on what appeared to be a sluggish and relatively undeveloped local economy. In 1881 the county was still 48% covered by timber, and the population totalled only 40,000, a figure which included the urban population of Sarnia/Point Edward and those involved in the oil industry in the Petrolia and Oil Springs areas.[210]

Despite their experiences with Thomas Fawcett, the four villages in Lambton County that had supported his offices, Alvinston, Arkona, Wyoming and Watford, all attracted other private banks after his failure. Alvinston acquired two firms in 1885: the short-lived branch office of Lemon and Smith, whose main office was in Thedford, and Conn's Banking House. The later firm failed in 1892.[211] Less than two years later, Harrison and Rathburn opened a banking office in Alvinston, selling out to Gordon and Douglas in 1897, who in turn were taken over by Molson's Bank the following year.[212] In Wyoming, A.E. Westland re-established private banking in 1885. W.B. Collins purchased this business in 1893. Westland later resumed the office, selling to the Sovereign Bank in 1904.[213] Watford, the largest of these villages, suffered the most difficulty in securing adequate banking facilities. The Bank of London opened an office there in 1885, which closed when this chartered bank failed in 1887. The Traders' Bank then stepped in, but closed its office in 1890. The private banking firm of Thomas and Kenward took over the vacated Traders' Bank office, selling out to the Merchants Bank in 1900.[214] A more stable succession in Watford commenced with G.H. Wynne's private bank, which opened in 1886, taking over the office of Thomas Fuller, who had opened a temporary private banking business in the former Campbell Bros. office the year before.[215] This office was assumed by J.B. Wynne in 1900, who sold out to the Sterling Bank in 1906.[216] Only Arkona did not secure a banking office of some type immediately after Fawcett's failure. Joseph Wilcox opened a private bank there about 1896, which was taken over by the Sovereign Bank in 1904.[217]

The chartered bank branches established in the former Fawcett localities between 1898 and 1908 were part of a general invasion of Lambton County by the banks in the first decade of the twentieth century. By 1910, 25 years after the Fawcett failure, there were 23 chartered banks in Lambton, 19 of them outside Sarnia, in 14 towns and villages. Most of these had been opened between 1900 and 1910. Five private banks in four towns also did business in 1910, all of them in direct competition with chartered banks. Despite their experience with Thomas Fawcett, the residents of Lambton County retained confidence in private banking, even when alternatives were available.

A Watford bard marked the windup of the Fawcett estate with a short quatrain:

> Little drops of margins,
> Little deals in wheat;
> Turns the big speculator,
> Into a ----- dead beat.[218]

These words can serve as an epitaph to the first era of private banking in rural Ontario, as well as to the hayseed capitalist who was its most flamboyant practitioner. The private bankers who would dominate the next generation of the industry would be more cautious in their practices and less ambitious in their goals. The chartered banks which would sustain them no longer allowed large lines of credit to private banks, and monitored these accounts more carefully. And the public, alarmed by stories of relatively poor people losing their life savings in private bank failures, began exercising more discretion when selecting their banker. Local reputation and social standing came to be the most valuable assets of the hayseed capitalists who dominated private banking after 1884.

REFERENCES FOR CHAPTER V

[1]For an account of George Hague's Banking career, see the concluding autobiographical chapter of his book, *Banking and Commerce* (New York, 1908).

[2]Directors' Minutes, Merchants Bank of Canada, 29 July 1876.

[3]Merrill Denison, *Canada's First Bank,* II (Toronto, 1967), p. 191.

[4]Annual Report of the Merchants Bank, abstracted in *Monetary Times,* 29 June 1877; Directors' Minutes, Merchants Bank, 3 July 1877. See also editorial comments in *Monetary Times,* 6 July 1877.

[5]Norman Robertson, *History of the County of Bruce* (Toronto, 1906), p. 397; Victor Ross, *History of the Canadian Bank of Commerce,* II (Toronto, 1922), p.556.

[6]Directors' Minutes, Merchants Bank, 17 Dec. 1879.

[7]Robertson, *History of the County of Bruce,* p. 397.

[8]See Directors' Minutes, Merchants Bank, 1877-1883.

[9]It appears that the offices supervised by Halsted (Durham, Mount Forest, Orangeville, Shelburne and Walkerton) dealt exclusively with the Merchants Bank, and the offices supervised by Scott (Atwood, Clifford, Listowel and Palmerston) divided their business between the Montreal and Merchants Banks. Scott cleared all his cheques through the Bank of Montreal. In 1883 Scott had a line of credit with the Merchants Bank of $50,000 and Halsted one of $85,000. The two bankers pooled their exposure by endorsing each other's promissory notes; this was the real basis of their partnership, though personnel moved between the Scott and Halsted offices. See *Listowel Banner,* 26 Aug. 1883; Directors' Minutes, Merchants Bank, 1877-84 *passim.*

[10]At the time of Fawcett's failure, he owed the Merchants Bank about $125,000 and the Bank of Montreal about $135,000. *Monetary Times,* 28 Nov. 1884.

[11]Walkerton *Bruce Herald,* 30 June 1877.

[12]*Toronto Telegram,* 28 Mar. 1881.

[13]*Monetary Times,* 8 Apr. 1881.

[14]Glencoe *Transcript,* 23 Nov. 1876.

[15]*Monetary Times,* 16 Sept. 1881. Remarks in a similar vein appeared in the issue of 20 May 1881.

[16]Directors' Minutes, Merchants Bank, 11 Mar. 1882.

[17]The Bank of Canada Collection, Currency Museum, Ottawa, contains a promissory note payable at Johnston's Bank, London on 19 Jan. 1875. The collection also holds a cheque printed for Taylor's Bank, London, but altered for Johnston's Bank, and dated 5 July 1873, but it cannot be proven that this item was payable at London.

[18]Dun and Wiman, *Mercantile Reference Book,* Jan. 1880.

[19]Dun and Wiman, *Mercantile Reference Book,* Jul. 1881.

[20]*Clinton New Era,* 1 June 1883.

[21]*Elora Express,* 27 Sept. 1883.

[22]*Monetary Times,* 11 May 1885.

[23]Strathroy *Western Despatch,* 5 Sept. 1883.

[24]*Monetary Times,* 16 Aug. 1886.

[25]*Monetary Times,* 17 Feb. 1888.

[26]*Waterford Star,* 1 Mar. 1883.

[27]*Monetary Times,* 9 Mar. 1883. The figure of $12,000 capital slightly exceeded the estimate of financial strength listed by Dun and Wiman.

[28]*Waterford Star,* 22 Mar. 1883. The extent of the loans from the Federal Bank is not known.

[29]*London Advertiser,* 21 Mar. 1883.

[30]In court testimony, F. A. Despard, manager of the Bank of Montreal, stated that "the Mahon Banking Company did business with the Merchants Bank, but do not know that their account was an active one." *London Advertiser,* Feb. 1883. It should be noted that Despard mixed actively in the same business circles as the Mahons; W.F. Harper, the Merchants Bank manager, did not.

[31]Walker Papers, R.W. Smylie to B.E. Walker, 20 Feb. 1883, private. Smylie noted, "The Mahon Banking Company bust here today. Despard [Bank of Montreal manager] and Jeffery [Molson's Bank manager] both hit." In 1883 Smylie managed

the Huron and Erie Loan and Savings Co.; he had been on the staff of the Bank of Commerce in London during the period when Walker had been the manager of the London branch. Walker was in charge of the New York agency of the Bank of Commerce in 1883. Smylie corresponded regularly with Walker, supplying him with information on financial matters in London and Western Ontario.

[32]Walker Papers, R.W. Smylie, to B.E. Walker, 30 Jan. 1883, private.

[33]London Free Press, 26 Feb. 1883. A clipping of this item is in the Walker Papers; the files of the *Free Press* for Feb. 1883 have not survived.

[34]*Monetary Times,* 23 Feb. 1883. This paper reported that the Mahon firm had suffered bad losses in retail merchant accounts, which formed the bulk of its business.

[35]*London Advertiser,* 22 Feb. 1883.

[36]*London Advertiser,* 23 Feb. 1883. The quotations are prices at noon and mid-afternoon.

[37]Walker Papers, R.W. Smylie to B.E. Walker, 26 Feb. 1883, private.

[38]*London Advertiser,* 6 Mar. 1883.

[39]*London Advertiser,* 26 Feb. 1883.

[40]*London Advertiser,* 27 Feb. 1883.

[41]*London Advertiser,* 28 Feb. 1883.

[42]Walker Papers, R.W. Smylie to B.E. Walker, 26 Feb. 1883. Smylie wrote to Walker twice on this day, relating developments in the Mahon case. This is from the second letter.

[43]*London Advertiser,* 27 Feb. 1883.

[44]*London Advertiser,* 24 Mar. 1883. Only one meeting of the directors of the Tontine Savings Association was ever held.

[45]*London Advertiser,* 2 Mar.; 5 Mar. 1883. Despard covered a $500 overdraft in this account about one hour before the failure.

[46]*London Advertiser,* 27 Feb.; 2 Mar.; 5 Mar. 1883.

[47]*London Advertiser,* 28 Feb.; 2 Mar. 1883.

[48]*London Advertiser,* 2 Mar. 1883.

[49] *London Advertiser,* 5 Mar. 1883.

[50] *London Advertiser,* 24 Mar. 1883. The actual value of this land proved to be a controversial point. It had been heavily encumbered since its purchase some years before the failure, and had never tied up a significant portion of the bank's capital. There was a belief in some quarters that the Mahons' equity in the property at the time of the failure was nil.

[51] *London Advertiser,* 24 Mar. 1883.

[52] *London Free Press,* 26 Feb. 1883.

[53] Tom Naylor, *History of Canadian Business,* I (Toronto, 1975), p. 169, attributes the demise of the Mahon Banking Co. to the collapse of the Winnipeg land boom, into which "it had poured a large part of its assets following the refusal of the Bank of Montreal to extend its credit line." Disregarding the lack of logic to this statement, all the evidence suggests that the Mahons had paid only a small down payment on the Manitoba land. The difficulties with the Bank of Montreal were due not to a refusal to extend their credit line, but to an attempt by the bank to strengthen its security on the existing one, and the subsequent calling of the loan. Naylor's conclusions seem to be based on a short item in *Monetary Times,* 23 Feb. 1883. Curiously, the *Monetary Times* largely ignored the Mahon story.

[54] *Monetary Times,* 16 Mar. 1883.

[55] Walker Papers, R.W. Smylie to B.E. Walker, 26 Feb. 1883, private. Smylie's cryptic concluding remark suggests that the Bank of Montreal's senior management may have cast a blind eye on potentially troublesome accounts, such as that of the Mahons, as long as they generated healthy profits. The references to the Dominion and Federal Banks are less clear, but the Federal was at the time teetering due to major loan losses on large loans to manufacturers and lumbermen. The Federal also Bank also supported about 10 private banks in southwestern Ontario at the time, some of which were struggling to keep afloat, and two of which would fail in the coming months.

[56] *Monetary Times,* 19 Aug. 1881; 23 June 1883.

[57] *Monetary Times,* 9 Mar. 1883.

[58] *Simcoe County Judicial Directory,* 1881.

[59] Thomson advertised in the *Alliston Herald* in 1881, soliciting farm mortgage business. His major advertising expenditure was a full page in the annual *Simcoe County Judicial Directory* from 1877 until 1883. In the first mention of his failure in the *Monetary Times,* 9 Mar. 1883, he is identified as a loan and insurance agent.

[60]*Hastings County Directory, 1864-65.*

[61]*Huron County Directory, 1869;* Seaforth *Huron Expositor,* 20 Dec. 1880.

[62]Seaforth *Huron Expositor,* 30 Jan. 1880.

[63]Seaforth *Huron Expositor,* 30 Jan. 1880.

[64]Seaforth *Huron Expositor,* 27 July; 17 Aug. 1883.

[65]For a discussion of the decline in farm income in 1883, see *Monetary Times,* 28 Mar. 1884.

[66]*Monetary Times,* 18 May 1883.

[67]Seaforth *Huron Expositor,* 17 Aug. 1883.

[68]*Monetary Times,* 21 June 1878.

[69]New Hamburg *Canadische Volksblatt,* 8 Feb. 1882.

[70]*Monetary Times,* 12 Oct. 1883.

[71]The Consolidated Bank in New Hamburg closed in 1879, and a branch of the Western Bank did not open until November, 1884. See *Canadische Volksblatt,* 12 Nov. 1884.

[72]*Monetary Times,* 19 Oct.; 2 Nov. 1883. The industries involved were woolen manufacturers Thomas Woodcock and Charles Woods, and produce dealer H.R.D. Brown.

[73]*Monetary Times,* 27 Aug. 1880.

[74]Bowmanville *Canadian Statesman,* 11 Feb. 1881. An experienced banker, Codd had been teller at the Bank of British North America branch in Kingston in the early 1860s. *Kingston Directory, 1862.*

[75]*Monetary Times,* 24 Nov. 1882. Codd made these remarks as part of a report on local business conditions.

[76]*Monetary Times,* 4 Jan. 1884.

[77]Incorporated in 1880, this line was projected to connect the C.P.R. with the coal deposits in the Souris Valley. See Robert Dorman and D.E. Stoltz, *A Statutory History of Railways in Canada, 1836-1986* (Kingston, 1987), p. 423.

[78]Rupert Gladstone Hamlyn, *Bowmanville: A Retrospect* (Bowmanville, 1958), p. 22.

[79]Bowmanville *Canadian Statesman,* 1 June; 16 Nov. 1883.

[80]*Monetary Times,* 21 Dec. 1883.

[81]*Monetary Times,* 4 Jan. 1884.

[82]*Monetary Times,* 11 Apr. 1884.

[83]*London Advertiser,* 5 Apr. 1884.

[84]*London Advertiser,* 5 Apr. 1884.

[85]The Associated Press carried the lengthy and uncomplimentary account of Bailey Harrison's banking career, which appeared in many North American daily newspapers on 7 Apr. 1884, and subsequently in a number of Ontario weeklies, as well as in the *Monetary Times.* The story originated with a reporter at the *London Advertiser,* which published a longer version of the story on 5 Apr. 1884.

[86]*London Advertiser,* 5 Apr. 1884.

[87]*Tilsonburg Observer,* 9 May 1884.

[88]*Tilsonburg Observer,* 11 Apr. 1884.

[89]*Monetary Times,* 11 Apr. 1884.

[90]*Tilsonburg Observer,* 11 Apr. 1884. The address bore the date of March 29, but was not published until after the uncomplimentary story appeared in numerous daily papers on Apr. 7.

[91]*Monetary Times,* 11 July 1884; *Tilsonburg Liberal,* 29 July 1884. The Western Bank built a successful business at the branch; it continued under the Standard Bank from 1909, and then under the Bank of Commerce when that bank absorbed the Standard in 1928.

[92]The difficulties experienced by the Federal Bank, and its relationships with its numerous private bank customers, are discussed in detail in Ch. V, *infra.*

[93]A. St. L. Trigge, *History of the Canadian Bank of Commerce, Vol. 3,* p. 110.

[94]*Newmarket Era,* 4 July, 11 July 1884.

[95]Dun Wiman and Co., *Mercantile Reference Book, 1882; 1884; Monetary Times,* 11 July 1883; *Bothwell Times,* Jan. 1884.

[96]*Monetary Times,* 13 June 1884.

[97]House of Commons *Debates,* 2 Mar. 1883, amendment to Section 10, 34 Vic. Cap. 5. The brief amendment read, "Banking companies shall not use the term banking company, banking house, banking association, banking institution, or banking agency or any word or designation which would cause it to seem as if such persons were a company carrying on business as a chartered bank." It was attached to a bill which modified the reporting requirements of the chartered banks.

[98]*Monetary Times,* 20 May 1881. "[The safety of depositors] is a subject that calls for early settlement at the hands of the government, and we believe that, already, it has received their attention."

[99]House of Commons, *Debates,* 2 Mar. 1883, p. 99. Tilley enumerated a short list of offending names, which included Johnstone's (sic) Bank, Hay's Banking House, The Orono Banking House, Scott's Banking House, The Mahon Banking Co., Mitchell Banking Co., and The N. Hayes Loan and Exchange Bank.

[100]House of Commons, *Debates,* 13 Mar. 1883, p. 187.

[101]*London Advertiser,* 16 Mar. 1883.

[102]Private banks in Lambton County in 1883 were located in nine towns: Thedford, Arkona, Wyoming, Petrolia, Alvinston, Brigden, Forest, Sarnia and Watford; each of the last three had two offices. The chartered banks were the Bank of Montreal and the Bank of Commerce in Sarnia, and the Federal Bank in Petrolia, which closed in 1884.

[103]The edition used by Tilley listed a branch of Fawcett's Bank in Stratford which seems to have been open only briefly, in 1881.

[104]House of Commons, *Debates,* 13 Mar. 1883, pp. 187-88.

[105]House of Commons, *Debates,* 13 Mar. 1883, p. 187.

[106]*Monetary Times,* 9 Mar. 1883. This editorial was published four days before the issue heated up in the House of Commons.

[107]House of Commons, *Debates,* 2 Mar. 1883, p.99.

[108]Casey, House of Commons, *Debates,* 13 Mar. 1883.

[109]House of Commons, *Debates,* 13 Mar. 1883.

[110]For example, the private bank in Elora used the surname designation of "Gale and Tisdall" in its advertising, and "The Farmers' Banking House, (Not Incorporated.)" on its stationery in the late 1880s.

[111]*Monetary Times,* 12 Oct. 1883.

[112]Ken Palmer, "Private Bankers of Bruce County," *Bruce County Historical Yearbook,* 1990, p. 64.

[113]Woodstock *Sentinel-Review,* 5 Apr. 1895.

[114]*Monetary Times,* 25 Sept. 1884.

[115]*Toronto Evening News,* 25 Sept. 1884.

[116]*Toronto Daily Mail,* 24 Sept. 1884.

[117]*Alliston Herald,* 10 Nov. 1881; *Monetary Times,* 26 Nov. 1880.

[118]Fuller's bank is listed in his own name in the July 1885 issue of Dun, Wiman and Co.'s *Mercantile Reference Book;* his credit rating was combined with that of Fawcett until 1884.

[119]*Monetary Times,* 27 Aug. 1880.

[120]*Monetary Times,* 28 Nov. 1884.

[121]This office opened about 1881; Charles E. Tanner was the manager. *Huron County Directory, 1881.*

[122]Dun, Wiman and Co., *Mercantile Reference Book,* July 1882.

[123]New Hamburg *Canadische Volksblatt,* 4 Jan. 1882.

[124]Directors' Minutes, Merchants Bank, 23 Mar. 1882.

[125]*Toronto Daily Mail,* 23 Sept. 1884.

[126]*Toronto Evening News,* 23 Sept. 1884.

[127]*Toronto Daily Mail,* 24 Sept. 1884.

[128]*Toronto Evening News,* 24 Sept. 1884.

[129]*Toronto Evening News,*23 Sept. 1884.

[130]*Toronto Daily Mail,* 23 Sept. 1884. Fawcett was a director of the Bank of London, chartered in February 1883, and was an organizer of the Provincial Bank, which had not yet opened.

[131]*Bothwell Times,* 25 Sept. 1884. The issue of the *Watford Guide-News* for Sept. 26, containing news of the failure at the nominal head office of the Fawcett chain in Watford, has been removed from the file.

[132]*Toronto Evening News,* 25 Sept. 1884.

[133]Toronto *Globe,* 24 Sept. 1884; *Toronto Daily Mail,* 24 Sept. 1884. Both Smithers and Hague granted several interviews through the day on Sept. 23, which were picked up by the Associated Press wire service, and reprinted in many daily papers.

[134]*Toronto Daily Mail,* 24 Sept. 1884.

[135]This interview ran on the Associated Press wire service, and appeared in a number of daily papers. At the end of the interview, Fawcett agreed that the reports in that day's papers (Sept. 23) were "substantially correct and put very fairly." *Toronto Daily Mail,* 24 Sept. 1884.

[136]*Toronto Daily News,* 25 Sept. 1884. The intriguing possibility introduced by Smithers in this interview, that a private banker supported a weak chartered bank, cannot be confirmed from other evidence. The interview was by the *Daily News* Montreal correspondent. The *Monetary Times* of 26 Sept. 1884, observed that, "We understand, too, that the difficulties of the Federal Bank affected these businesses months ago," but the source of this may have been the *Daily News* interview of the previous day. It should be noted that branches of the Federal Bank operated in three of the towns where Fawcett was reported, in the *Daily News* of 24 Sept. 1884, to have banking interests that cannot be confirmed: St. Catharines, St. Mary's, and Strathroy.

[137]Directors' Minutes, Merchants Bank, 24 Sept. 1884.

[138]Strathroy *The Age,* 25 Sept. 1884.

[139]*Monetary Times,* 12 Nov.; 19 Nov. 1880.

[140]*Watford Guide-News,* 3 Oct. 1884.

[141]*Bothwell Times,* 3 Oct. 1884.

[142]*Watford Guide-News,* 3 Oct. 1884.

[143]*Watford Guide-News,* 3 Oct. 1884.

[144]Strathroy *The Age,* 9 Oct. 1884.

[145]*Watford Guide-News,* 21 Nov. 1884.

[146]*Watford Guide-News,* 10 Oct. 1884. It is probable that Molson's Bank overreacted, although they may have come to the conclusion, reasonable under the circumstances, that a private bank could no longer be viable in Watford, a judgment that may well have been shared by the Campbell brothers.

[147]*Watford Guide-News,* 17 Oct. 1884; *Bothwell Times,* 23 Oct. 1884; *Monetary Times,* 17 Oct.; 24 Oct. 1884.

[148]*Watford Guide-News,* 2 Jan. 1885.

[149]*Watford Guide-News,* 12 Feb.; 23 July 1886. Campbell had never recovered financially from the failure of his bank in 1884, and had assigned to his creditors in Feb., 1886. The appointment as magistrate, by his former colleagues on Lambton County council, came shortly afterward.

[150]*Monetary Times,* 24 Oct. 1884.

[151]Directors' Minutes, Merchants Bank, 1 Oct.; 4 Oct. 1884.

[152]*Watford Guide-News,* 24 Oct. 1884. While this version of the failure had not appeared in print before this date, it is a plausible one. Fawcett did not seem to realize that it indicated nervousness in the mercantile community over the soundness of his bank.

[153]*Watford Guide-News,* 24 Oct. 1884; *Monetary Times,* 28 Nov. 1884.

[154]*Watford Guide-News,* 29 Aug. 1884; *Monetary Times,* 22 Aug. 1884. Three stores owned by Fawcett and rented to others were destroyed. William Frederick Johnson, *Arkona Through the Years,* (Forest, 1976), p. 61, claims that this fire was a major factor in Fawcett's demise.

[155]Eastman v. Bank of Montreal et al., *Ontario Reports,* 10 (1886), p. 81.

[156]*London Advertiser,* 21 Nov. 1884.

[157]Strathroy *The Age,* 27 Nov. 1884. This report was reprinted from the *Watford Advocate,* files of which have not survived for 1884.

[158]*Monetary Times,* 28 Nov. 1884.

[159]Strathroy *The Age,* 30 Oct. 1884.

[160]*Monetary Times,* 28 Nov. 1884.

[161]*London Advertiser,* 21 Nov. 1884.

[162]*Watford Guide-News,* 21 Nov. 1884.

[163]*Monetary Times,* 28 Nov. 1884.

[164]*Monetary Times,* 14 Nov. 1884.

[165]*Monetary Times,* 28 Nov. 1884.

[166]*Monetary Times,* 28 Nov. 1884.

[167]Ted Leitch, "Fawcett Banking Network," *Transactions of the Canadian Numismatic Society,* 26 (1990), p. 33.

[168]*Monetary Times,* 28 Nov. 1884.

[169]*Watford Guide-News,* 23 Jan. 1884. Graham had tried initially to keep the robbery quiet to aid the police investigation.

[170]*Toronto Evening News,* 24 Jan. 1885.

[171]Strathroy *The Age,* 29 Jan. 1885.

[172]*Watford Guide-News,* 30 Jan. 1885. This account follows closely that published the previous day in *The Age,* in places word-for-word. The two reports were probably written by the same person.

[173]Ted Leitch, "Fawcett Banking Network," p. 37.

[174]*Watford Guide-News,* 30 Jan. 1885.

[175]Alex Lucas to T.G. Meredith, London, 6 Feb. 1885, Bank of Canada Collection.

[176]*Watford Guide-News,* 6 Feb. 1885.

[177]*Watford Guide-News,* 13 Feb. 1885.

[178]*Watford Guide-News,* 27 Feb. 1885.

[179]*Watford Guide-News,* 30 Jan. 1885.

[180]*Watford Guide-News,* 27 Mar. 1885.

[181]*Watford Guide-News,* 17 Apr. 1885.

[182]*Watford Guide-News,* 4 Nov. 1885.

[183]*Watford Guide-News,* 17 Oct. 1884.

[184]*Watford Guide-News,* 31 Oct. 1884.

[185]*Watford Guide-News,* 14 Nov. 1884.

[186]Victor Ross, *History of the Canadian Bank of Commerce,* II, pp. 91-92.

[187]Walker Papers, F.W. Ball to B.E. Walker, 4 Apr. 1884. Ball resigned his position in frustration over his relationship with Anderson. In 1885 he established a stock brokerage business in Toronto. *Monetary Times,* 18 Dec. 1885. Walker succeeded Anderson as general manager of the Bank of Commerce in 1886; one of his first priorities was modernizing the relationship of the branches to head office.

[188]*London Advertiser,* 25 Sept. 1885.

[189]*London Advertiser,* 29 Sept. 1885.

[190]Eastman v. Bank of Montreal et al., *Ontario Reports,* 10 (1886), pp. 79-85. The case was heard by Justice J.A. Boyd of the Chancery Division Court on 28-29 Sept. 1885.

[191]*Ibid.,* p. 85.

[192]Directors' Minutes, Merchants Bank, 14 Oct. 1885.

[193]*Watford Guide-News,* 23 Oct. 1885.

[194]*Watford Guide-News,* 30 Oct. 1885.

[195]*Watford Guide-Advocate,* 13 May 1887; Directors' Minutes, Merchants Bank, 17 May 1887.

[196]*Watford Guide-Advocate,* 22 July 1887.

[197]*Watford Guide Advocate,* 8 July 1887.

[198]*Watford Guide-Advocate,* 19 Feb. 1886. Kirkpatrick advertised in small town papers in the London area for farmers' business.

[199]Directors' Minutes, Merchants Bank, 11 Mar. 1882; 4 Oct. 1884.

[200]Directors' Minutes, Merchants Bank of Canada, 8 Jan. 1889. Robert Porteous had a separate credit line of $20,000 for his grain buying activities.

[201]George Hague, *Banking and Commerce,* p. 16.

[202]Statement of Defence by Bank of Montreal, Eastman v. Bank of Montreal et al., p. 82. The statement is consistent with manager F.A. Despard's attempt to secure additional security on the account in the days prior to suspension.

[203]This figure is based on the difference between the aggregate deposits at the Alvinston, Arkona, Millbrook, Watford and Wyoming offices of $207,444, as reported in Kirkpatrick's statement of 26 Jan. 1885, and the total liabilities to the public at these same offices of $232,976 as recorded in the dividend sheet issued in July, 1887. The difference of $25,529 may also have included payments for drafts purchased by customers, but subsequently dishonoured by the chartered banks.

[204]For examples of excessive reliance on endorsers, see John Macaulay to William Allan, 5 July 1832, in Peter Baskerville, *The Bank of Upper Canada* (Ottawa, 1987), pp.66-67. George Hague, in *Banking and Commerce,* recalled that the practice was common in Peterborough in the 1850s.

[205]*Watford Guide-News,* 30 Jan. 1885.

[206]*Toronto Daily Mail,* 24 Sept. 1884. The reporter heard this figure from bankers in Montreal. It's source was probably the Dun and Wiman *Mercantile Reference Book.*

[207]*Watford Guide-News,* 30 Jan. 1885.

[208]*Monetary Times,* 18 Dec. 1884. A business report from Dresden, adjoining Lambton County, noted a severe depression in the lumber trade in the area.

[209]*Ontario Agricultural Commission,* II, Appendix B, pp. 250-53.

[210]*Petrolia Advertiser,* 28 Oct. 1892; *Watford Guide-News,* 21 Oct. 1892.

[211]Victor Lauriston, *Lambton's Hundred Years* (Sarnia, [1949]), p. 135.

[212]*Sarnia Observer,* 5 Jan. 1894; *Petrolia Advertiser,* 8 July 1908.

[213]*Watford Guide-Advocate,* 7 Oct. 1887; 5 Sept. 1890; 6 Jan. 1900.

[214]Thomas Fuller was a partner in the firm of Jackson, Fuller and Co., operators of private banks in Blenheim and Leamington since the late 1870s. Fuller managed the Leamington branch, and had relatives in Watford in the grain business. His

short-lived Watford bank was managed by Sam Fuller. *Watford Guide-News,* 11 Dec. 1885; 19 Mar. 1886; 20 Aug. 1886; *Commemorative Biographical Record of the County of Lambton* (Toronto, 1906), p. 503.

[215] *Watford Guide Advocate,* 13 Aug. 1886; 5 June 1906.

[216] William Frederick Johnson, *Arkona Through the Years* (Forest, 1976), p. 21; 61.

[217] *Watford Guide-News,* 8 July 1887.

VI. THE HEYDAY OF ONTARIO PRIVATE BANKING, 1885 – 1897

a. Setting a New Course, 1885-1887

Compared to the volatile years of the early part of the decade, the mid-1880s proved to be sedate and relatively uneventful for the private banking industry in Ontario. As a result of the Fawcett failure and other closures, the number of small-town private banking offices declined from a peak of 145 in 1882 to approximately 125 in the 1885 to 1887 period, a decline of almost 14%.[1] Not until the 1890s did private banking begin another cycle of growth. By 1891 the total number of offices in Ontario again reached the 145 mark.

The private banker of the mid-1880s tended to have more reserve capital than those who had been in the business at the start of the decade, if for no other reason than to bolster a sustained working relationship with their chartered bank connections. One private banker wrote to the *Monetary Times* in October 1884 that:

> ...the gravest unwisdom of which private bankers are often guilty, is that of keeping no margin of capital over and above the ordinary demands of depositors *available*, – that is, in available shape, not locked up in land or distant speculations – for a time of pressure.[2]

One of the most astute of Ontario's private bankers, Loftus Cuddy of Amherstberg, was more candid in his remarks:

> I, for one, will hail with delight anything that will drive all those out of the business of private banking, who never should have been in it, and who have neither capital nor brains to recommend them to the public. After all such men betake themselves to some other employment for which they are better adapted, those who remain will not be ashamed to say that they are private bankers, as is really now the case with some.[3]

These comments, coming at the time when the worst excesses of Thomas Fawcett were being revealed to the public, represent the opinion of the conservative, well capitalized portion of the private banking industry. They are an indication of the maturing of private banking as a business, and show that reckless, speculative private bankers had few defenders among their colleagues.

Notwithstanding the overall decline in the number of private banks between 1885 and 1887, private banking offices continued to be opened. Reckless expansionism and speculation had been largely wrung out of the system by 1884, and the most of the new offices operated under the guidance of experienced, conservative private bankers. The office of Westland and Nicol, opened in Comber in 1886, was typical of these. The senior partner, A.J. Westland, had begun his banking career at the Elliot Banking Co. in Ridgetown in the late 1870s.[4] By 1885 he was a partner in the business and manager of the office. A.R. Nicol, the junior partner at the new Comber office, was involved in business ventures in nearby Tilbury Centre.[5] At Alvinston, John Conn opened Conn's Banking House in 1885 with capital supplied by his family and father-in-law. Conn had been on the staff of the Merchants Bank in St. Thomas, and the Merchants Bank supported his new venture.[6]

As well as experienced bankers, a few local businessmen moved into private banking in this period: for example, Clarke and Co. of Bothwell. This family business had begun as a general store in 1854, eventually concentrating on grain dealing.[7] The entry of the Clarkes into banking in 1886 followed the failure of the Squire and Boughner bank in Bothwell in 1885, and the closing after only six months, of Loftus Cuddy's branch office in the town due to insufficient business.[8] With no other banking facility in town to service their grain business, Clarke and Co.'s entry into banking must be regarded as a defensive action. The Merchants Bank supported the Clarke and Co. bank. In 1906 they purchased the Clarke bank and added it to their branch system.

A half-dozen private bank failures are recorded for the years 1885 to 1887, but none approached the proportions of those earlier in the decade. Even so, these failures did little to help restore the tattered reputation of private banking in the mid-1880s, and a perception remained that private banks were prone to failure. In November 1885 the *Monetary Times* had to apologize for falsely reporting the demise of Lucas and Co. of Markdale.[9] This publication continued to be hostile to private banking, commenting in 1889 that when a farmer goes "to a private banker or other money lender, he stands a good chance of being squeezed."[10]

The first private bank failure of what might be called the post-Fawcett era was that of S.C.D. Roper of Bracebridge in May 1885. Roper had been conducting this office as the Muskoka Banking Co. since about 1881. When he failed he had liabilities of $4,600 and assets of about $3,000, consisting largely of securities pledged to his banker,[11] which appears to have been the Bank of Toronto.[12] No private bank could have survived on this meagre volume of business. Presumably, Roper had suffered a run on deposits, and was able to repay his liabilities until he ran out of liquid assets, forcing his suspension. Following the failure, Roper abandoned banking. In 1890 he was directing the statistical branch of the federal Department of Agriculture.[13]

The withdrawal of one partner and a constriction on their line of credit with the Federal Bank combined to bring down the banking firm of Samuel Robertson and Son of Harriston in July 1885. Founded in 1879 as Robinson and Robertson, the firm was also known as the Bank of Harriston.[14] Part of the initial capital for the bank seems to have come from the sale in 1878 of a barrel factory operated by the partners.[15] A Mount Forest office was opened in 1881, under the management of John Robinson,[16]who had been in the town since the 1860s as a general merchant and later a real estate agent.[17] The Mount Forest office closed in 1884 on the withdrawal of Robinson from the firm. It had faced strong competition in that town from the much larger private bank of J.A. Halsted and from an Ontario Bank branch. Samuel Robertson took his son into the firm after the departure of Robinson, and attempted to struggle on for another year. The Federal Bank had lent large sums to the firm, which became locked up in real estate. Recognizing his deteriorating situation with the reduction in credit from the Federal Bank, Robertson chose to close the bank and make an assignment.[18] It does not appear that depositors suffered any losses in the closure. Neither was there much local economic disruption. Harriston had had a branch of the Standard Bank since 1876, and following the closure of Robertson's office, White's Banking Office moved from Grand Valley to Harriston.[19]

As with Samuel Robertson and Son, loan reductions by the Federal Bank hastened the end of the Squire and Boughner banking office in Bothwell in 1885. This had been one of the pioneer private banks in the province, opening in 1873. Then proprietors, with the euphonious names of Stafford N. Boughner and J. Warner Squire, built a solid and substantial business through the 1870s, achieving a net worth in the $40,000 range by the end of the decade.[20] With the support of the Federal Bank, they expanded their operations, opening a branch in Hagersville under the style of the Hagersville Banking Co. in 1881. This office remained open until late 1883 or early 1884,[21] when the firm's line of credit with the Federal Bank was reduced. In addition to the Hagersville office, Squire and Boughner invested heavily in J.W. Cuthbertson's iron manufacturing business, which produced metal oil barrels and iron roofing.[22]

The Squire and Boughner bank closed in September 1885, but the firm had ceased advertising the previous April, indicating that it was not seeking new business through the summer of 1885.[23] To offset the loss of credit with the Federal Bank, the firm managed to secure additional support from Molson's Bank. Even with the additional accommodation, the firm's position deteriorated, and it closed when the partners were caught committing forgery. Both immediately left town, one of them reportedly to Dakota, leaving over $43,000 in liabilities, $6,000 of which was owed to Squire's father.[24] The bulk of the liabilities seem to have been owed to the Federal and Molson's Banks. It appears that Squire and Boughner suffered from an erosion of public confidence. Soon after the closure, the *Bothwell Times* called for the opening of a chartered bank branch, which, the editor believed, would boost the local economy where a private bank could not:

> We would not only have our own business but that of all the surrounding small places and that of the rural districts to support it. The natural timidity experienced in dealing with a private bank would be set aside and the public would transact business with that confidence so necessary in business circles.[25]

The private bank in Wardsville, John Shaw and Co., emulated its predecessor, Fawcett, Livingstone and Co., in the nature of its failure in 1887. Shaw, who had been manager of Fawcett's Wardsville branch, purchased the business in 1883.[26] The *Monetary Times* reported that "bucket shop speculations" were the cause of the failure of the bank and the flight of the absconding proprietor. Shaw and Co. owed money to both local depositors, many of them farmers, and to Molson's Bank.[27] Located in Middlesex County between Bothwell and Glencoe, three miles from the nearest railway station at Newbury, Wardsville was not a shipping point for agricultural commodities, and with a population of about 300, it was not a commercial or industrial centre of any significance. No other banking facilities moved in to fill the void left by Shaw and Co.

Two Lambton County private banking offices closed in 1886, namely, those of Smith and Lemon in Alvinston and Thedford.[28] These offices seem to have been wound down by their proprietors, with losses to neither depositors nor chartered banks. In both Alvinston and Thedford, other more durable private banking firms did business. Lemon and Smith had been in business only about a year. This was one of many firms to be unsuccessful in making an entry into the private banking industry.

The last of the private bankers to fail in the 1885 to 1887 period was A.W. Gordon of Orillia. Gordon established his private bank about 1878, and opened a branch in 1880 in Uxbridge,[29] which he sold in 1883 to W.S. Black and Co.[30] Despite almost 10 years in banking, Gordon does not seem to have built up a large business, perhaps due to the presence of a successful branch of the Dominion Bank in Orillia. Dun and Wiman rated his financial strength at less than $10,000 immediately before his assignment.[31] Losses, if any, to the depositors and to the Bank of Toronto, which supported Gordon, are not known.

Overall, the private bank failures and closures of the 1885 to 1887 period had little impact on the industry as a whole or on the local communities where these offices did business. The most significant of the failures, that of Squire and Boughner in Bothwell, disrupted local business only until Loftus Cuddy and later Clarke and Co. opened alternate banking facilities. Sensing continuing public nervousness regarding private bankers, and in an effort to give the industry more respectability, Loftus Cuddy, the Amherstburg banker, urged his colleagues in the industry to publish voluntarily financial statements similar to the ones issued by the chartered banks. Cuddy set the example by submitting his annual statement to the *Monetary Times,* where it appeared on 14 Jan. 1887. Since few of his customers were likely to be readers of this paper, it is obvious that Cuddy was attempting to influence other private bankers, who would probably be *Monetary Times* subscribers, to follow his course. The private banking industry at the time had no association or other body to act as its spokesman or to set standards and monitor them. As one of the senior and most successful men in private banking – he had begun his career in Alex Johnston's private bank in Strathroy in 1868 – Loftus Cuddy was appropriating a leadership role for himself as the conscience of the industry. Three years before, the *Monetary Times* had printed his comments on the state of private banking in Ontario,[32] and brief comments from him on financial and economic conditions of the day had also appeared from time to time.

Not surprisingly, Cuddy's proposal received a warm editorial endorsement in the *Monetary Times*. This paper had consistently railed against the excesses of private banks, and it viewed the proposed publication of statements as an ideal way to maintain public confidence in sound institutions and to weed out the unsound ones, concluding that the publication of statements by private bankers should be made compulsory.

Cuddy's proposal was embraced much less enthusiastically by other private bankers. Montague Smith, partner in the firm of L.H. Smith and Co. and manager of its Forest banking office, argued that chartered banks are compelled to make public statements because they enjoy the privilege of issuing banknotes, which are the currency of the country, and that those holding these banknotes are involuntary creditors of the banks. Smith believed that a depositor in a private bank was acting on the same faith as the private banker who lent money to a customer.[33] In other words, all dealings between private banks and their customers were voluntary contracts.

Montague Smith was neither defender nor practitioner of sloppy or reckless banking practices. His firm, founded in 1870, had been one of the first private banks in the province, and it continued to do a large business until it was sold to Molson's Bank in 1909, after Smith's death.[34] For the last 24 years of its existence, it competed successfully against a branch of the Standard Bank in Forest. Dun and Wiman rated the financial strength of the Smith firm in the $100,000 range, one of the highest for a private bank in Ontario, and three times the rating of Loftus Cuddy.[35] Smith's arguments rested on two main points: that a private banker's reputation and stature in the community should be considered by members of the public before they deposited with a private bank; and that a private banker should be not be treated differently from any other trader, because the private banker enjoyed no special privileges under the law.

Smith's reply to Cuddy started a debate in the pages of the *Monetary Times* that lasted for two months, revolving on the obligations of a private banker to the public. Cuddy refuted Smith's notion that a depositor and borrower were on the same footing. The financial affairs of a borrower were already known to a banker, he argued, and a banker could make various credit enquiries, and could demand security for a loan. A depositor could use none of these options when considering a deposit at a private bank. Further, Cuddy believed that in monopoly situations, where a private bank was the only financial institution in a town, the public were effectively the involuntary creditors of the banker. The private banker, therefore, had responsibilities beyond those of the ordinary trader.[36]

Smith responded by doubting the veracity of the financial statements that some private bankers might issue. The Fawcett failure and the other excesses of the early part of the decade were very much in Smith's mind as he voiced his opinions:

> After the shameful manner in which the managers of some of our chartered banks and the mercantile agencies have been imposed on and misled by statements furnished them by certain private bankers, formerly doing business in this section of Ontario, how could I reasonably expect them and the public to believe any statement if I did publish it? The public after they have been so grossly deceived by statements require something more tangible to assist them in arriving at a conclusion as to the financial strength of the individual or firm issuing them. I have every reason to believe that the business men of Amherstburg and the yeomen of the surrounding country are ready to accept Mr. Cuddy's statements as a true and correct exposition of his financial standing. Why? Simply because they have confidence in his moral and business character, and he will find that their confidence in him will continue to be governed more by their personal observation of him and the manner in which he conducts his business than by any statements he may publish.[37]

Cuddy concluded the exchange by pointing out that any misleading financial statements published by a private banker would be challenged by the chartered bank with which it did business, and that the accuracy of any statement could be verified by an independent audit and a signed affidavit. Cuddy raised one last point, arguing that government inspection of private banks and the granting of a certificate to those that met or surpassed regulatory criteria would raise the quality of private bank cheques above the level of ordinary commercial traders, and that the ready acceptance of their cheques in financial circles would expedite the functioning of the payments system.[38]

Victory in the debate went to Montague Smith. The government made no move to inspect or regulate private banks, and no private bankers except Loftus Cuddy appear to have published financial statements on their standing. The perceived "moral and business character" of the private banker in his community continued to be his greatest assets, and the only guarantee the public had of the soundness of private banking firms.

b. The Consequences of the Chartered Bank Failures of 1887-88

The Canadian banking system passed through one of its periodic crises in 1887 and 1888, when five chartered banks closed their doors and liquidated their assets.[39] Two, the Maritime Bank and the Pictou Bank, did no business in Ontario. The remaining three, the Bank of London, the Central Bank and the Federal Bank, operated exclusively in Ontario. None were large institutions, and all three entered liquidation voluntarily. Their small size relative to the rest of the Canadian banking system, and the orderly way in which they were wound up, minimized the impact on the Canadian banking system as a whole. However, all three operated comparatively large branch systems, and the closure of these offices, particularly in towns where they were the only financial institutions, produced localized disruption and minor restructuring of both the branch bank system and the private banking network.

The Bank of London, in Canada was incorporated in 1883, and was effectively an expansion of the private banking business operated by its founding president, Henry Taylor.[40] The Bank of London was a product of the same speculative financial community that had produced Thomas Fawcett and the Mahon Banking Co. Thomas Fawcett was, in fact, one of the founding directors of the Bank of London. A branch network was set up beginning in 1884 with offices at Petrolia and Ingersoll, the latter acquired from Molson's Bank,[41] which in these years remained ambivalent about the value of small-town Ontario branches. More branches followed in 1885 in Watford and Dresden, and a fifth branch in Brantford in 1887.

The Bank of London failed less than four years after opening, largely as a result of the ambitious speculations of Henry Taylor, and its close association with another of Taylor's ventures, the Ontario Investment Association, a mortgage and debenture company, of which he was general manager. Over 40% of the assets of the Ontario Investment Association consisted of bonds and debentures, many of them speculative in nature. The business of the Ontario Investment Association straddled the line between unsoundness and dishonesty. Its founding directors in 1880 included the notorious London private banker J.A. Mahon, Federal Bank branch manager Charles Murray, Federal Bank general manager H.S. Strathy, and others who would later be involved with the Bank of London.[42] The *Monetary Times* employed the term "ingenious fraud" to describe Taylor's business practices with the Ontario Investment Association. An accountant's investigation revealed that almost $650,000 of the firm's funds had been misappropriated or stolen by Taylor, by president Charles Murray, and by Cronyn and Greenless, the firm's solicitors. In addition, the assets, with a book value of $2,800,000, were overvalued by more than $1,000,000.[43]

Rumours of these irregularities at the Ontario Investment Association seem to have been in circulation in London and area from the early summer of 1887, causing a run on deposits at the Bank of London. Recognizing a deteriorating situation, the directors of the bank began negotiations with the Bank of Toronto to take over the Bank of London. The takeover was announced on Aug. 16, but the plans unravelled over the next few days. Both Henry Taylor and Charles Murray left town, supposedly for vacations, but rumours had them absconding. Reportedly, Taylor had taken $20,000 with him.[44] After taking a closer look at the books, the Bank of Toronto backed out of its agreement. On the morning of Aug. 19 general manager A.M. Smart sent instructions to all offices to keep the doors closed. Restive crowds outside the London office of the Bank of London generated and spread rumours. Banknotes of the Bank of London were soon changing hands at 90 cents on the dollar.

The closure of the Bank of London undermined confidence in all banking institutions in southwestern Ontario. At Exeter, for example, where the Bank of London did not have an office, there was a run on both the Molson's Bank branch and the private bank of B.S. O'Neil.[45] At Watford, which had been at the centre of the Fawcett failure three years before, an angry crowd of several hundred accosted Bank of London manager J.L. Gower and his staff. Accepting Henry Taylor as their mentor, the accountant at Watford absconded to the United States with $2,000 of the bank's funds, and the teller at Ingersoll pocketed several hundred before fleeing across the border.

The crisis everywhere was short-lived. The Bank of Toronto agreed within a week to acquire the bulk of the assets of the Bank of London, excluding the accounts involving any of Henry Taylor's companies. It took over the London head office and the branches at Petrolia and Dresden. The Traders Bank assumed the branches at Watford, Ingersoll and Brantford. The Bank of Toronto opened in the Bank of London's Petrolia office on September 5, only 17 days after its predecessor had closed, with Peter Campbell remaining as manager. It took longer to sort out the affairs at the London office. The Bank of Toronto did not open there until Nov. 9, placing the office in charge of W.R. Wadsworth, previously their manager at Port Hope. The three branches acquired by the Traders Bank appear to have reopened during the first week of October, about six weeks after the suspension of the Bank of London. In all three cases the Traders Bank retained the Bank of London managers. Presumably, both the Bank of Toronto and the Traders Bank believed that any animosity on the part of the public would devolve on the heads of Henry Taylor and his London cronies, not the local managers.

Two of the former Bank of London offices soon closed. The Bank of Toronto found the Dresden branch unprofitable within weeks of the takeover, and turned it over to its manager, J.W. Sharpe, who reopened as a private banker late in 1887,[46] with support from the Merchants Bank.[47] The Traders Bank office in Watford carried on until 1890. After it closed, the private bank of Thomas and Kenward opened and operated successfully in the premises,[48] supported by the Merchants Bank, to whom the partners sold out in 1899.

The failure of the Central Bank occurred at the end of 1887, about three months following the closure of the Bank of London, when the other chartered banks refused to provide the Central Bank with temporary assistance. B.E. Walker of the Bank of Commerce, speaking for all the Toronto-based banks, had agreed to provide aid if an independent .investigation revealed the Central Bank to be sound. The investigation, which grew into a complicated affair,[49] revealed that several Toronto brokers had assisted the Central Bank to increase its note circulation, that various irregularities had occurred in the sale and manipulation of the bank's stock, and that loans had been granted to favoured individuals. Unlike the Federal Bank, Walker and the other senior bankers of Toronto quickly concluded that the Central Bank was hopelessly insolvent, and that little could be salvaged from its assets.[50]

The machinations of the Toronto business elite with the affairs of the Central

Bank did not concern the Ontario hinterland a great deal, but the operation of the Central Bank's branch system certainly did. For its size, the Central Bank maintained a large branch system: Guelph, Durham, Port Perry, Brampton, Richmond Hill, and two branch offices in Toronto.[51] The Central Bank had received its charter in 1873, one of 19 banks chartered following the passage of the first Dominion Bank Act.[52] The policy of the bank had been to open branches wherever a sufficient amount of share capital was subscribed by local residents. On the surface, this policy seemed to make the bank responsive to local needs, but in practice it resulted in the opening of branches at localities where there was little need for them or insufficient business to sustain them. A number of Canadian banks, beginning with the Bank of Upper Canada, had attempted to employ this policy, and it had never been a successful one for any of them.

Following its closure in November 1887, the other chartered banks did not show a great deal of interest in the Central Bank's branch system. The Bank of Commerce picked up the two Toronto branches, which became its Yonge & Bloor and Broadview & Queen branches. The Bank of Commerce had lagged behind the other banks in setting up branches in Toronto, but it soon caught up, opening six more between 1887 and 1893.[53] The Standard Bank added the Durham branch to its network.[54] Durham was a town of sufficient size to support a bank, but it had failed to be profitable for J.A. Halsted, who closed his private bank there in 1882,[55] and for the Bank of Commerce, which closed its branch in 1883, turning the office over to the private banking firm of J.W. Rapley of Kincardine. In turn, Rapley closed his branch office about the same time the Central Bank opened in Durham in 1884.

In Port Perry and Guelph, the Ontario Bank absorbed the accounts of the Central Bank into its existing branches at those places. The Dominion Bank seems to have done the same in Brampton, and in Richmond Hill the branch was closed with no successor, either private or chartered. Despite its shaky financial position, the Central Bank did not skimp on its premises. The Guelph branch of the Ontario Bank, which had been open for 25 years, moved into the former Central Bank quarters in March of 1888. The Central Bank office had better furnishings and a better location.[56]

The failure of the Federal Bank, which suspended payment in January 1888, produced far more disruption to the Ontario financial system and to the hinterland than did the failures of the Central Bank or the Bank of London. The Federal operated 13 offices, 10 of which were scattered across the towns and smaller cities of Ontario: Aurora, Chatham, Guelph, Kingston, London, Newmarket, Simcoe, Strathroy, St. Mary's and Tilsonburg. It accounted for about 2.6% of Canadian chartered bank assets,[57] but a much larger proportion in Ontario, where all its business was confined. As well, the Federal Bank supported a group of private banks in the smaller towns of southwestern Ontario that, although much smaller than it had been in 1884, was still of significance in the private banking industry in 1887.

The history of the Federal Bank's involvement with private banks had been as rocky as the other aspects of its business. During the early 1880s the Federal Bank had supported at least two dozen private banking firms. The bulk of this business had been built up under the administration of H.S. Strathy in the years immediately before and after 1880, a period when he pursued a very aggressive expansion of the Federal Bank, and the period of greatest expansion of the private banking system. At this time the Federal Bank considered its private bank clients as integral to its overall system. In 1876, for example, Charles Murray, the Federal Bank manager in London, visited Glencoe to solicit business for the newly established Glencoe Bank.[58]

With one or two exceptions, none of the private banks supported by the Federal Bank could be considered of the first rank – either in size or in the quality of their business. The failure rate for this group of private banks was extraordinarily high:

only about one-quarter of the offices survived the demise of the Federal Bank. These bankers may have wound up under the umbrella of the Federal Bank after being rejected by other institutions, or they may have been attracted by Strathy's business style and reputation. The course of events through the mid-1880s confirms R.W. Smylie's scribbled observation in 1883 that there was "a `mess' of rotten business" in the private banks supported by the Federal Bank.[59]

Part of the reason for the Federal Bank's early enthusiasm for private banks was that they permitted the expansion of lending based on security not permitted to chartered banks by the Bank Act. Other banks, notably the Bank of Commerce, supported private banks specifically for these reasons on occasion,[60] but none pursued the policy to the extent of the Federal Bank. In at least three towns it supported private banks where it had its own branches: The Guelph Banking Co., in Guelph; E. Rowland and Co. in Strathroy, and the Harrison and McTaggart bank in Tilsonburg. In Simcoe, the Federal Bank backed its former manager Henry Groff when he started a private banking and insurance business in 1885. Groff operated in close association with the Federal Bank.[61] And Bailey Harrison, of Harrison and McTaggart in Tilsonburg, received his banking training in the Federal branch system.[62]

The history of the Federal Bank in its last five years profoundly affected both the Ontario branch bank network and the nature of the private banking system. It is therefore useful to examine The Federal Bank's problems with hinterland banking in some detail.

During 1883 and 1884 the Federal Bank suffered through a major crisis, from which it never entirely recovered. Two of the Federal's own offices, in Hamilton and Petrolia, closed in 1884, and the bank was forced to restrict credit across all classes of lending, including to private banks. Tom Naylor, in *The History of Canadian Business,* attributes the problems of the Federal Bank in 1883 and 1884 to its involvement with stock brokerage firms such as E.S. Cox, Forbes and Lownsborough, and Gzowski and Buchan,[63] but the bank's portfolio of non-performing loans was a far bigger factor; for example, $170,000 to Emerson, Manitoba during the land boom there. The ledgers also carried $240,000 of loans, discounts and overdrafts to the bankrupt Canadian Car Co. of London, $81,000 to an insolvent carriage factory in Strathroy,[64] and a non-productive loan of about $1,200,000 to the J.E. Potts Salt and Lumber Co. in Michigan.[65] These four accounts alone accounted for 13% of the Federal Bank's assets in 1884. As well, it appears that large amounts were tied up in stockpiled cotton in Montreal.[66] The Federal Bank survived the 1884 crisis when the Bank of Montreal took over some of its accounts and provided $500,000 of temporary assistance. A consortium of other chartered banks advanced a further $1,500,000 of assistance.[67] A large part of the security tendered by the Federal Bank for this support consisted of the notes of its many private bank customers.[68] The other banks apparently regarded these as the most liquid and best quality of the Federal Bank's assets.

As a consequence of its troubles in 1884, the Federal Bank directors made changes in the senior management. H.S. Strathy, the general manager who had pursued an aggressive course of expansion, was out. The new general manager, G.W. Yarker, at the time managed the Toronto branch of the Bank of Montreal.[69] Yarker had been with the Bank of Montreal since the 1860s, serving at various times as inspector and inspector of branches as well as a branch manager.

The Federal Bank's continuing difficulties after 1883 profoundly affected its private bank clients, restricting new loans and reducing the existing ones. Seven private banking offices fell victim to the Federal's restriction of credit during the 1883 to 1885 period. Two were branches of other private banks: the Hagersville Banking Co. (a branch of Squire and Boughner of Bothwell), and the Mount Forest office of

Robinson and Robertson closed in 1883 and 1884. The Squire and Boughner main office in Bothwell succumbed in 1885, failing when the Federal Bank could no longer support the heavy accommodation it had extended in previous years.[70] The Bank of Harriston (Robinson and Robertson, and later Samuel Robertson and Son) failed about the same time through a combination of internal problems and the reduction of Federal Bank support.[71]

Two Federal Bank clients had ranked prominently in the spate of private bank failures in the early 1880s. Marshall Minkler, proprietor of the Waterford Bank and one of the most reckless private bankers of the early 1880s, failed when the Federal Bank withdrew its support in 1883, forcing depositors in Waterford and at the Cayuga branch to settle for 75 cents on the dollar.[72] Minkler had, between 1876 and 1879, operated a private bank in Ingersoll, supported by the Imperial Bank.[73] Presumably, this affiliation had not been successful, and he had changed his association to take advantage of the more generous credit policies of the Federal Bank when he re-established in Waterford. Finally, the absconding manager of the Harrison and McTaggart bank in Tilsonburg caused losses to both depositors and to the Federal Bank in 1884.[74]

As the Federal Bank's tenuous position continued into 1886 and 1887, some of its private bank clients began to seek connections elsewhere. J.C. McKeggie, who operated banking offices in Stayner and Barrie in the mid-1880s, secured a connection with the very conservative and stable Bank of British North America. He was one of the very few private bank customers of this bank. McKeggie eventually became recognized as one of Ontario's most successful and respected private bankers. Dr. Alex McTaggart of Parkhill shared with McKeggie a record as one of the Federal Bank's few competent private bank customers. He had established a private bank in Parkhill about 1873, subsequently adding to his holdings the Glencoe Bank (1876), the

McIntosh and McTaggart office in Brussels (1880), and Harrison and McTaggart in Tilsonburg (1880), the latter three with the aid of the Federal Bank. He sold the Glencoe Bank in 1878,[75] and following the failure of the Tilsonburg office due to his absconding partner Bailey Harrison, he established new connections with the Merchants Bank for his two remaining offices.[76]

George Yarker's slow and steady efforts to rebuild the Federal Bank were frustrated by the large, stagnant accounts on its books – the Potts Lumber account alone represented about 20% of the total assets of the bank in 1887. These lockups prevented the bank from building up the volume and quality of the accounts at the branches. Yarker's problems worsened late in 1887, when the collapse of the Central Bank produced a run on an already declining deposit ledger at the Federal Bank.[77] He immediately consulted the other senior bankers in Toronto. The opinion of B.E. Walker of the Bank of Commerce was that the situation of the Federal Bank was basically sound, and that the best course of action would be an orderly liquidation, supported by the other banks. Walker proposed that up to $2,700,000 be made available to the Federal Bank. The branch offices then reopened for the repayment of deposits to the public. In the end, less than half the loan was required, and the liquidation produced a surplus for distribution to the shareholders.[78]

The branches of the Federal Bank proved to be much more desirable properties than those of the Central Bank. Other chartered banks made agreements to take over all offices but one by the beginning of April 1888.[79] The Traders Bank picked up those at St. Mary's, Strathroy and Tilsonburg, retaining the Federal Bank managers. In Strathroy, at least, the entire Federal Bank staff was retained.[80] The Ontario Bank assumed the branches at Aurora and Kingston, the Dominion Bank acquired the Guelph branch, the Standard Bank that at Chatham. All retained the Federal managers. The Bank of Hamilton moved into the Federal Bank office in Simcoe, closing its

Figure 6.1

Federal Bank Managers and Their Later Occupations

1887-1890

Town	Manager	Occupation 1890
Aurora	C. Nelson	*manager, Ontario B., Aurora
Chatham	R.N. Rogers	*manager, Standard B., Chatham
Guelph	A.A. Fitzgerald	*manager, Dominion B., Guelph
Hamilton	J.M.Burns	not known
Kingston	T.Y. Greet	*manager, Ontario B., Kingston
London	George Mair	private banker, Lucknow
Newmarket	F. Cole	manager, B. of Ottawa, Arnprior (1895)
Petrolia	Peter Campbell	*manager, B. of Toronto, Petrolia
St. Mary's	W.T. Smith	*manager, Traders B., St. Mary's
Simcoe	T.A. Stephen	manager, B. of Commerce, Guelph
Tilsonburg	W.P. Dewar	*manager, Traders B., Tilsonburg
Waterford	G.S. Canfield	unknown
Toronto H.O.	G.W. Yarker	organizer, County of York Bank
North Toronto	R.J. Montgomery	*manager, B. of Commerce, Yonge & Bloor
East Toronto	unknown	unknown

*Federal Bank branch taken over, manager retained.

[Sources: *Monetary Times; Garland's Bank Directory, 1890, 1895.*]

own branch in nearby Hagersville at the same time.[81] The managers of the Federal branches at Newmarket and Simcoe quickly found managerial positions with other chartered banks.[82] The persistence of all the former Federal Bank managers in positions of responsibility in the banking systems undermines charges that this bank was plagued by a general malaise of mismanagement.

The timetable used for the takeovers of individual branches varied considerably. The Bank of Hamilton moved into the Simcoe office at the beginning of February 1888, less than two weeks after the Federal Bank began to wind down its business. The Traders Bank took over the Strathroy office on 9 Apr. 1888, but the transfer at Tilsonburg does not seem to have been made until the first week of September.[83]

Local conditions and circumstances undoubtedly dictated the manner in which the transfer was completed at these offices, a process facilitated by the continuity of local management. One of the Guelph papers noted that, "owing to the assistance being promptly given to the Federal Bank the accounts of customers have been readily transferred to other institutions."[84] It is possible as well that the ledgers of both the Federal Bank and its successors were open at the same time, with payments on old loans credited to the Federal Bank and new ones written up by the successor bank. This method was frequently used by private bankers when a bank was sold or taken over. The process went even smoother at Newmarket, where the existing Ontario Bank branch absorbed the business of the Federal, and at London, where the Bank of Commerce moved its existing branch into the Federal Bank premises.[85]

One Federal Bank manager went on to open a private bank. George Mair, manager at London, purchased the Cameron and Campbell bank at Lucknow in the fall of 1888. The winding up of the Federal Bank office in London seems to have been an especially protracted affair. The Lucknow paper announced in November 1888 that

Mair would leave the Federal Bank "in a few months." This would have extended Mair's employment there well into 1889.[86] In April of 1890 Mair purchased a second bank, that of W.B. Tisdale in Teeswater, in partnership with Clarke Smith, the former manager of the Traders Bank in Drayton,[87] who had begun his banking career in Drayton as manager of Peter Lillico's private bank there more than a decade previously.[88]

George Mair's eclectic banking career had begun with the Bank of British North America, the most conservative and staid of Canada's chartered banks. By 1883 he had risen to the position of manager of its London office. In that year H.S. Strathy recruited him to the Federal Bank as manager of their Guelph office, where he quickly adjusted to the vastly different corporate culture. In 1885 he was transferred to London,[89] where he succeeded Charles Murray, who had become president of Henry Taylor's ill-fated Ontario Investment Association. In 1893 H.S. Strathy, as general manager of the Traders Bank, recruited Mair a second time, and put him in charge of its new branch in Windsor.[90] Mair then sold his interest in the Teeswater bank,[91] but retained his partnership in the Lucknow bank, which did business under the name of Mair and Siddall. He continued as a private bank owner while an employee of the Traders Bank until at least 1900.[92]

It is entirely plausible that George Mair's private banking activities were sustained by H.S. Strathy and the Traders Bank. No chartered bank would employ a manager who also conducted banking activities under the auspices of a rival institution. His partnership with Clark Smith, a former Traders manager, suggests that the Teeswater private bank may have been sponsored by the Traders Bank in a similar manner to the private banks supported by Strathy when he had been general manager of the Federal Bank. However, Mair's private banks were not conducted in the reckless manner of those that had been under the Federal Bank umbrella. He refused to accept any deposit of more than $1,000, and was content with commissions on real estate and insurance for additional bank income, not speculation.[93]

By the time the Federal Bank began its voluntary liquidation, about half its private bank customers had established connections with other banks, particularly the Merchants, Imperial, Molson's and Ontario. At least one private bank split its business between two chartered banks. The Harrison and Rathburn firm of Glencoe established an association with Molson's Bank when they opened in 1877.[94] They added a connection to the Federal Bank when they opened a short-lived branch in Dutton in 1880.[95] J.C. McKeggie, Dr. McTaggart, and Harrison and Rathburn survived the demise of the Federal Bank. Several others were not so lucky, and seem to have wound down quietly at the same time as the Federal Bank liquidation: Marten Bros. of Leamington, the Glencoe Bank of Glencoe and the Kent County Bank of Ridgetown.

In addition to those that wound down their business, two private banks failed as a result of the Federal Bank liquidation. Hey and Co. of Ailsa Craig suspended in August 1888, eventually paying its creditors 30 cents on the dollar.[96] A much larger and more serious failure was that of the Guelph Banking Co., which was actually a one-man banking and mortgage office supported heavily by the Federal Bank, and run by W.H. Cutten, a former lawyer. The business had been founded in the mid-1870s as Kerr and Howitt, becoming Kerr and McKellar in 1877. Cutten purchased the bank in 1882, but maintained business connections with A.T. Kerr, who gained disrepute as a broker. Kerr found himself in court on fraud charges in 1888 in connection with the Central Bank failure.[97]

On 31 January 1888, two days after the Federal Bank began voluntary liquidation, the Guelph Banking Co. advised its customers that, "owing to the winding up of the Federal Bank, and heavy losses sustained,"[98] it was closing its doors. The

Figure 6.2

Private Banks Supported by the Federal Bank and Their Fates

Town	**Private Bank**	**Fate**
Ailsa Craig	Hey and Co.	Failed 1888 on liquidation of Federal Bank
Bothwell	Squire & Boughner	Failed 1885 on withdrawal of Federal Bank support
Brussels	McIntosh & McTaggart	Supported by Merchants Bank after 1884
Cayuga[a]	M. Minkler	Failed 1883 due to mismanagement
Dunnville	W.F. Haskins	Continued with Imperial Bank support
Dutton[b]	Harrison & Rathburn	Continued as James Poole & Co.
Erin	Erin Village Bkg Co.	unknown
Galt	Galt Banking Co.	Continued with Merchants Bank support
Glencoe	Harrison & Rathburn	Continued with Molsons Bank support
Glencoe	Glencoe Bank	Closed 1888 on liquidation of Federal Bank
Guelph	Guelph Banking Co.	Failed 1888 on liquidation of Federal Bank
Hagersville	Hagersville Bkg. Co.	Closed 1883 during Federal Bank difficulties
Harriston	Bank of Harriston	Failed 1885 after withdrawal of one partner
Hespeler[c]	J.M. Irwin	Closed 1888 on liquidation of Federal Bank
Leamington	Marten, Whyte & Co.	Failed 1888 on liquidation of Federal Bank
London	T.A. Kirkpatrick	Closed 1888 on liquidation of Federal Bank
Mount Forest[d]	Robinson & Robertson	Closed 1884 after reduction in Federal Bank support
Newmarket	E. Rowland & Co.	Became Federal Bank branch 1882
Oakville	Andrew & Howarth	Continued with Ontario Bank support
Parkhill	A. McTaggart & Co.	Supported by Merchants Bank after 1884
Preston	Preston Banking Co.	Continued with Merchants Bank support
Ridgetown	Kent County Bank	Closed 1888 on liquidation of Federal Bank
Simcoe	H.H. Groff	Continued; chartered bank connection unknown
Stayner	J.C. McKeggie	Continued with Bank of B.N.A. support
Strathroy	E. Rowland & Co.	Continued
Tilsonburg	Harrison & McTaggart	Failed in 1884 due to mismanagement
Waterford	Waterford Bank	Failed in 1883 due to mismanagement

[a] branch of the Waterford Bank
[b] branch of Harrison & Rathburn, Glencoe; later purchased by manager James Poole
[c] branch of Galt Banking Co.
[d] branch of Bank of Harriston

[Sources: *Monetary Times; Bothwell Times; Brussels Post;* Dutton *Advance;* Glencoe *Transcript; Guelph Daily Mercury; London Free Press; Mount Forest Confederate;* Simcoe *Norfolk Reformer;* Strathroy *Age; Strathroy Western Despatch; Tilsonburg Observer; Waterford Star.]*

Guelph Daily Mercury noted that:

> The monetary relations of Mr. Cutten, who is understood to be the only party interested in the Guelph Banking Company, with the Federal Bank were well known in the city, and when that institution was announced to go into liquidation, it was not a matter of much surprise that Mr. Cutten's bank should follow. The business of the latter has been the discounting of notes for farmers and some of the smaller businesses in the city, whose security was not in such a shape that other banks could handle. At one time the company had a large line of discount at the Federal, but gradually, owing to the Federal's circumstances, that line has been steadily contracted.[99]

These comments suggest that the Federal Bank, under the regime of general manager G.W. Yarker, was trying to extricate itself from much of its private banking business, particularly that which was speculative or poorly secured. This could account for the poor economic performance of many of the Federally-supported private banks. According to the early rumours, Cutten owed the Federal Bank about $20,000, secured by his best collateral, at the time of his closure. Presumably, the account had been two or three times this amount some years earlier. As well, because Cutten allowed 6% on deposits, a large sum was rumoured to be owed to the public. The *Monetary Times* placed the figure at $15,000 to $25,000, mostly to farmers with a naive understanding of financial matters. One told a reporter that he put his money in the Guelph Banking Company because Cutten "was paying 6 per cent, and besides, with such a fine block and a fast horse I thought he was perfectly safe!"[100]

Although the Guelph Banking Company was one of the many private banks to try to sustain a business on shaky borrowers and naive depositors, it still might have survived had it not been for W.H. Cutten's unwise real estate investments and stock speculations, some of the latter in partnership with A.T. Kerr and the notorious Toronto broker E.S. Cox. All Cutten's property, it appears, had been heavily mortgaged to cover his losses, and he began to undertake increasingly risky investments to regain solvency.

Ultimately, his actions crossed the boundary of legality. By misrepresenting the state of his affairs, he persuaded several prominent Guelph businessmen to put large sums into his bank. More seriously, he altered cheques and began to put partial payments on loans into his own pocket, rather than credit them to the borrowers on his ledger. The Federal Bank, which held the original promissory notes as security on loans to Cutten, was unaware of these payments, and after the Cutten's collapse, it attempted to collect the full amount of these notes from Cutten's customers. This situation resembled that of Fawcett's failure in 1884. Several of Cutten's customers succeeded in having him charged with fraud. He was ultimately acquitted on technicalities.[101]

Although a sole proprietorship, W.H. Cutten used a corporate designation for his bank. The title of 'Guelph Banking Company' originated after Cutten bought the business. Such corporate designations were by no means rare among private banks, but those supported by the Federal Bank show an unusually large concentration of them: the Guelph Banking Company, the Galt Banking Company, the Preston Banking Company, the Hagersville Banking Company, the Bank of Harriston, the Kent County Bank, the Glencoe Bank, the Waterford Bank, and the Erin Village Banking Company. Altogether, nine of the 25 offices known to be connected with the Federal Bank used such names. After 1888, most of the survivors reverted to the names of their proprietors:the Preston Banking Co. to E.J. Checkley and Company, and the Galt Banking Company to J.M. Irwin. This pattern suggests that these corporate names may have originated at the Federal Bank head office during H.S. Strathy's tenure as general manager. The original version of the Bank Act amendment of 1883, which sought to outlaw such designations, was proposed at the time when some of these firms were known to be in a shaky condition, and the Waterford Bank had already failed.[102] The activities of the private banks under the Federal Bank umbrella may have contributed as much as the excesses of the Fawcett empire to proposals to regulate private banking in the early 1880s.

Under G.W. Yarker, the Federal Bank receded from private banking. At the time of its liquidation, it was no longer among the major supporters of Ontario private banks, and its demise caused no major ripples to the Ontario private banking industry, other than the spectacular ending to the Guelph Banking Company.

While the men in the ranks of the middle management of the Federal Bank continued their careers in positions of authority within the chartered bank system, general manager George Yarker became the central figure in a novel banking venture, The York County Bank. Yarker, with six merchants and businessmen from Toronto, received a charter for the bank in May 1890. With an authorized capital of $1,000,000, and taking advantage of some of the provisions of the revised Bank Act of 1890, particularly those broadening the securities that could be held by banks, the York County Bank proposed to operate only a small number of offices in York County and to restrict its lending to small commercial accounts and farmers.[103] The prospectus explicitly modelled the bank on local banks in the United States and Great Britain. The York County Bank also had echoes of the 1850s, appealing to the same prejudices as Francis Hincks's free banking concepts.

Yarker proposed to invest the entire amount of any reserves that might be built up in stocks and government bonds. Significantly, Yarker promised not to engage in interest rate wars with other institutions, and to spread the lending risks over a large number of small accounts. He established this general structure to minimize the impact of credit cycles on the activities of the bank. One note on the prospectus read, "The history of Bank failures as a rule has been the history of one or two excessive accounts."[104] George Yarker, it seems, sought to avoid every pitfall that the Federal Bank had encountered in its last years, and to establish an institution that was closer to a private bank than a chartered one in the way it did business. Regrettably, George

Yarker's interesting experiment in local banking was stillborn. In 1892 he opened an office in Toronto as a private banker and financial agent.[105] Yarker later acted as manager of the Toronto Clearing House, from which he retired in 1916 at the age of 80.[106]

The successive failures of the Bank of London, the Central Bank, coupled with the failures of two small eastern chartered banks, the Maritime Bank of Saint John and the Pictou Bank of Pictou, Nova Scotia, constitute a cluster that dealt the Canadian banking system its most severe blow since the failures of the Bank of Upper Canada, the Commercial Bank and the Gore Bank in the 1866-1867 period. It is surprising that the disruptions of 1887 and 1888 and their significance have largely escaped the attention of banking historians. Merrill Denison's *A History of the Bank of Montreal,* for example, allows the Federal Bank only a brief paragraph.[107] Naylor's *The History of Canadian Business* is more generous with space on these failures, but Naylor fails to grasp the significance of this cluster on the future course of Canadian banking, both chartered and private, and in one place incorrectly gives date of the Federal's failure as 1887, and insists that H.S. Strathy was a broker, not a senior bank officer.[108] Over a period of twenty years, the banking system had advanced to the point where the effects of these failures were felt at the periphery, that is, in the hinterland branch system, rather than at the centre. The major consequences were that the chartered banks continued to act cautiously in opening new branches, private banking was, if anything, strengthened, and chartered bank supervision of private bank accounts was tightened.

The final tally of branch banks involved in the failures of 1887 and 1888 shows that the Central Bank, the Federal Bank and the Bank of London operated a total of 21 offices outside Toronto. Of these, 15 were taken over by other chartered banks: six by the upstart Traders Bank, where H.S. Strathy, the former general manager of the Federal Bank, had secured the same position when it opened in 1885, and was pursuing an aggressive expansion program there.[109] Three offices were picked up by the Bank of Toronto, two each by the Ontario and Standard Banks, and one each by the Dominion Bank and the Bank of Hamilton. Two of the 15 taken over closed within two years; their places were filled by private banks. Another private bank started indirectly through these failures. J.G. Fitzgerald, a former manager with the Merchants Bank, worked on the Central Bank liquidation, then established his own bank at Norwood.[110] Offsetting these three gains are the two failures that resulted at least in part from the Federal Bank liquidation (the Guelph Banking Co. and Hey and Co. of Ailsa Craig) and the handful that wound up their business when the Federal Bank restricted its credit.

In the short term, the banking troubles of 1887 and 1888 shrunk both the chartered and private bank systems. The three chartered bank liquidations blackened the eye of chartered banking, countering the negative publicity received by private banks earlier in the decade. The rancorous liquidation proceedings of the Central Bank and the well publicized fraud trials of some of its officers did nothing to elevate the reputation of chartered banks. Nevertheless, chartered banks were beginning, by 1888, to show an interest, though tentative, in expanding their small-town Ontario branch network. The speed with which some of the Federal branches were snapped up, particularly those with a solid local business base and competent local managers, is evidence of this.

Private banking survived the 1887-88 crisis largely unscathed. Offices opened between 1888 and 1890 more than made up for the closures in the previous two years.

c. Business As Usual, 1889-1897

The wreck of the Federal Bank proved, in the long run, to foster the private banking system in Ontario. The loss of a number of chartered bank offices provided new opportunities for private bankers, and the example of the Federal's inability to integrate an extensive branch system with its head office operations deterred the remaining chartered banks from pursuing aggressive branch opening policies. Public perception of the banking system must also be considered. In many minds, the collapse, in quick succession, of the Federal Bank, the Central Bank, and the Bank of London showed that the chartered system was no more stable or safe than the local private banker.

There is no doubt that small-town capitalists viewed the future of the private banking industry as propitious in the late 1880s. The number of private banks increased from about 115 in early 1888 to 152 in 1890.[111] This phenomenal growth, 32% in less than three years, understates the number of new openings in the period. Altogether, about 75 new firms opened their doors in these years. A considerable number of the new banking businesses did not prove to be successful, and closed within months of their opening, winding down their business in an orderly manner or selling out to another banker. Failures accounted for five of the office closings. Sales and changes in ownership explain the rest.

By the spring of 1891 the Ontario private banking system had further expanded to 160 offices. It remained at this size until the beginning of the twentieth century. Indeed, following the volatility of the mid-1880s and the rapid growth in the latter part of that decade, the stability in the size of the system was remarkable, varying between 155 and 166 offices until 1902.

A sense of professionalism began to characterize the private bankers industry in the 1890s. Over time, the residents of small towns and the countryside became more sophisticated in financial matters. The fact that the local banker was well known to them became less significant. Rather, they tended to place their trust in those with demonstrable financial standing and banking ability. In this climate, a relative newcomer to a town could quickly build his credentials in local financial circles if he could show himself to be a competent banker.

As fiercely independent businessmen, secretive and tight-lipped about their business affairs, private bankers did not acquire the accoutrements of professional groups. They did not attempt to draft or enforce any standards or code on their industry. There was no professional association, and there would be no attempt to form one until the early twentieth century. Private bankers played no part in the organization of the Canadian Bankers Association in the 1890s, and there is no evidence either that chartered bankers wanted them as members or that any private bankers wished to join. Nevertheless, both private bankers and small town business elites began to sense that the successful operation of a private bank required a combination of technical ability, adequate capital, and personal ethics. Private banking had become a vocation, rather than an ancillary activity carried on in conjunction with retailing or commodity trading.

One measure of the new stature of private banking as a vocation was that partnerships, private bank employment, and banking businesses began to be advertised through newspapers. One of the first of these, appearing in both the Toronto *Globe* and the *Monetary Times* in October 1888, offered a "PRIVATE BANKING BUSINESS, In thriving western town for sale. Established eleven years. Very Lucrative. Owner retiring. A rare opportunity."[112] Other advertisements followed: "Lucrative Private Banking Business for Sale. Good rates and deposits. Monopoly. Modest capital sufficient. Address W.B. Tisdale, Teeswater;" "Wanted–Good opening for private banking, or partnership in good paying business, banking or otherwise. Would invest ten to twenty thousand dollars;" "Wanted–Situation as a private banker's assistant by young man with six years' experience in one of our leading banks;"

"PRACTICAL BANKER, Fifteen years experience in Chartered Bank, solicits correspondence, with view to management or partnership in private bank, or with parties desirous of having Bank started in their town."[113] The advertisements seem to have been successful. Less than two months after his advertisement appeared, W.B. Tisdale sold the Teeswater bank to George Mair and Clarke Smith.[114] Owners of commercial real estate even began soliciting for private bankers as tenants: "Banking office in Newmarket – the late stand, with vault and fittings complete, of the Federal Bank; previously occupied by the Consolidated Bank, and formerly by the Royal Canadian Bank."[115] Private banking had become a specialized vocation, embracing a set of abilities and resources that were generally recognized in financial circles.

During the 1880s the chartered banks had devoted a great deal of attention to their routine reporting and administrative procedures. The Merchants Bank, with its extensive branch system, most of which was located hundreds of miles from head office in southwestern Ontario, pioneered with a comprehensive branch reporting system in 1882. At the time, general manager George Hague admitted that 75% of the bank's profits were earned at the branches.[116] The same year, the Bank of Commerce created the position of inspector of branches, which ranked only one step below that of general manager. Other banks followed these examples during the 1880s. Even though the chartered banks were, in modern terms, relatively small organizations at this time – the Merchants Bank had only 220 employees in total in 1887[117] – experience had shown that formalized, thorough reporting and administration were necessary for the successful operation of a branch system. With their new and revised procedures, the chartered banks had rid them of disastrous branch experiences by 1890.

The accounts of the private banks were carried on the books of the chartered banks at their branches. After 1888, there were few, if any, losses to chartered banks as a result of private bank failures. Indeed, the rapid growth in the numbers of private banks between 1888 and 1890 may well have been encouraged by the chartered banks, particularly the Merchants, Molson's, the Commerce, and the Bank of Hamilton, which were the most enthusiastic in cultivating private bank accounts. Supporting a private bank permitted a chartered bank to expand both its note circulation and asset base without the risk or expense of opening a branch office.

From 1887 until 1898 the chartered banks opened few new branches in Ontario. Admittedly, the Ontario economy displayed sluggish growth during this period. The labour force grew by a scant 3.1% between 1891 and 1901, and the value of output grew, in constant dollars, in the range of 20% to 30% over this decade.[118] On the other hand, banking as a whole grew substantially during the 1890s. Total chartered bank assets increased by 80.6% to $460,000,000 between 1890 and 1900.[119] The banks found little of the increase in the hinterland. For example, the Bank of Commerce opened 16 Ontario offices during the 1890s. Eight of these were Toronto branches. In the same period, this bank closed three unprofitable hinterland offices: Thorold, Norwich and Jarvis. Of the eight opened in small towns, two proved to be unsuccessful.[120] The Ailsa Craig branch, commenced in 1892, closed less than four years later. The Waterford branch opened in 1894, five weeks after the failure of L. Becker and Co., the private banking firm that the Bank of Commerce had supported.[121] The Waterford opening, according to bank officials, was a defensive one, "to retain deposit and discount business which otherwise would find its way to other institutions."[122] Three years later, the Bank of Commerce sold the office to N.H. Cowdry, son of their manager at Simcoe, who continued it as a private bank.[123]

The Bank of Hamilton enjoyed no more success than the Bank of Commerce in expanding its small-town branch network. This bank opened six small-town Ontario offices between 1888 and 1898. Of these, only the Mount Forest branch proved unprofitable, facing stiff competition from with the well-established private bank of J.A. Halsted. However, four other offices, opened earlier during the 1880s, were closed: Alliston, Tottenham, Hagersville and Cayuga. The Standard Bank opened only three Ontario branches between 1888 and 1898; the Western Bank none.[124] The largest supporter of private banking, the Merchants Bank, operated 25 branches in Ontario in 1897, the same number as in 1882, but less than the 31 offices in its Ontario network in 1876.[125] Even so, the Merchants Bank in 1897 still ranked as the second largest branch system in the province, just below that of the Bank of Commerce.

Although it is not entirely clear why the chartered banks remained reluctant to add to their branch networks after they had developed effective systems for branch supervision, several significant factors can be identified. Part of the reason may have been the costs of operating an office staffed by three or four people in a community with an insufficient amount of business to cover the expenses. In such circumstances a one-man private bank could operate profitably. It was simply prudent for the chartered banks to satisfy themselves with the interest income on a fully-secured loan to the private banker. This was the certainly the logic used by the Bank of Hamilton when they turned their Tottenham office over to H.C. Aitken in 1889. Their line of credit to him ultimately reached the $90,000 mark.[126]

Opening a new branch constituted a gamble for chartered banks. Startup costs, in procuring and equipping an office, were high, and a new branch could take many years to reach a point of profitability. Thomas Workman, president of Molson's Bank, voiced this caution when his bank opened a second office in Toronto:

> Though reluctant to add to the number of our branches, we have deemed it expedient to secure premises at West Toronto Junction....We do not anticipate large results from the first years' business, but believe the branch will eventually be a paying one.[127]

The chartered banks were not always of one mind in assessing the potential of individual communities. When the Bank of Hamilton closed its Alliston office in 1898, the Ontario Bank quickly occupied the vacated space. Similarly, the Bank of Commerce picked up the Bank of Hamilton's Cayuga office in 1890.[128] Both operated successfully under their new owners, though the Bank of Commerce later closed its branch in Jarvis, only a few miles from Cayuga.

George Hague, the general manager of the Merchants Bank, believed that his branch network had reached the optimum size that could be supervised effectively. He told the 1889 annual meeting of his bank that:

> It will be observed that the bank has added no new branches to its business this year...The reason is that we are doing business at thirty points already, that we have established branches in all the leading centres of Quebec, Ontario, and Manitoba, as well as an agency at New York, and that we find it takes all the energies at the command of the directors and the general management to keep an efficient oversight of the business of these branches.[129]

Hague went on to state that some towns already had too many branch banks in them, and that the proliferation of bank branches led to overtrading and excessive, unsound lending. He returned to this theme again at the 1892 annual meeting:

> Too many bankers in a given district produce greater mischief still....There are localities in Canada which were almost ruined for a series of years by the lavish style in which money was spread abroad by bank managers, who were bent upon extending business at all risks. The losses of the banks from this style of competition have amounted to millions, and left traces of devastation behind them which have taken years of industry and economy to efface.[130]

At the time he made these observations, George Hague ranked at the top of the banking profession in Canada. Whether he influenced or merely reflected the opinion of the whole industry on branch policy, it is clear that Canada's chartered banks remained reluctant to embark on ambitious branch policies until late in the 1890s. This policy allowed the private bankers to expand and consolidate their dominant position in Ontario's hinterland.

Although relatively unhindered by competition from new chartered bank branches, a steady succession of failures through the 1890s partially undermined confidence in private banking. Altogether, there were 17 failures between 1889 and 1896, between one and four each year. These were isolated failures (only Peter Lillico of Listowel operated more than one office), a fact which lessened their negative impact on the industry. Further, not all the failures resulted in losses to depositors. Some of these failed banks were of little significance, even locally. The Tweed Banking Company, for example, failed in June 1889 after it proved unsuccessful in attracting any significant business during the five months of its existence. It was wound up without loss to depositors.[131]

Depositors suffered badly in other failures, for example, that of W.S. Black of Uxbridge in 1889. Black had operated his bank since 1883, when he purchased the private bank of Gordon and Co. A physician by profession, with no background in banking, Black relied on a hired manager for day-to-day supervision of the bank, and he probably used it is a vehicle to finance his other business investments.[132] His assignment to his creditors was precipitated by a run on deposits, which he paid out as long as possible. At the time of his assignment, he owed approximately $30,000 to the Ontario Bank and another $30,000 to depositors, a figure that presumably had been much higher before the run on deposits.[133] Local competition may have been a factor in Black's failure. In addition to a long-established Dominion Bank branch, I.J. Gould, the leading capitalist in Uxbridge with far greater financial resources than Black, had opened his own private bank in 1887.[134] Black had tried to retain his deposits by offering a half percent more interest than his competitors. An editorial in the Whitby *Chronicle* indicates that private banking, in some minds at least, still had not shed its poor reputation earned by the excesses earlier in the decade:

> It is hard to account for as much as $30,000 being deposited in the private bank of this firm. Surely people must forget themselves to pass the post-office savings bank and all the chartered banks and put their few dollars in a private bank.[135]

Black's depositors received, it appears, 38 cents on the dollar.[136]

Some failed banks ultimately produced a surplus. Such was the case with McIntosh and McTaggart of Brussels in 1892. This bank closed when the manager, J.M. McIntosh, left town suddenly. He did not take any of the bank's assets, and his flight seems to have been the result of some type of mental breakdown. The business was wound down by the Merchant's Bank and the senior partner, Dr. Alex Mctaggart, the London doctor who had been involved in private banking ventures for two decades.[137]

Private banks were particularly vulnerable to runs on deposits, which could quickly produce a liquidity crisis. A run caused the closure and ultimately the demise of Conn's bank in Alvinston. This bank did an extensive agricultural business, and seems to have been well run. It was supported by the Merchants Bank, and its proprietor, John Conn, had once been an employee of the Merchants Bank.[138] Conn's Banking House suspended with nominal assets of $68,500, and liabilities of $64,700, of which $45,000 was owed to the Merchants Bank. John Conn desired to carry on the bank, but the Merchants Bank insisted on winding it up in an orderly manner.[139] By this time the Merchants Bank had learned much about the handling of private bank accounts, particularly in the necessity of close and constant supervision of them and in the necessity of maintaining adequate margins of good security on their advances. The actions of the Merchants Bank in winding up Conn's Banking House did not result in local animosity. In 1898 the Merchants Bank was able to open and operate a successful branch in Alvinston.[140]

The financial data from the private bank failures of the 1889-1896 period, while scattered, gives some indication of the range in the size of private banks. At one extreme there were small, insignificant banking businesses, such as that of Adam Allison of Belmont. A grain buyer as well as a banker, Allison failed with liabilities

Figure 6.3

Private Bank Failures

1889-1896

Year	Firm	Town	Deposits	Owed to Banks	Total Liabilities	Total Assets
1889	Tweed Bkg. Co.	Tweed				
1889	W.S. Black	Uxbridge	30,000	30,000	30,000	
1890	Peter Lillico	Arthur Drayton	22,000			
1891	Adam Allison	Belmont			18,000	7,000
1892	McIntosh & McTaggart	Brussels	40,400		73,000	95,000
1892	Conn & Co.	Alvinston	16,300	45,000	64,700	68,500
1892	H.C. Aitken	Tottenham		90,000		
1893	Shipley & Co.	Ailsa Craig			66,000	
1893	Owen & Co.	Ailsa Craig	10,000			
1894	Rogers & Co.	Stayner				
1894	A.W.Allan	Harrow				
1894	L. Becker	Waterford	70,000			95,000
1894	H.A. Allan	Port Elgin		19,000	30,000	22,000
1895	J.W. Sharpe	Dresden				
1895	H. Fraser	Kingston	30,000	54,000	84,000	
1895	Sam Barfoot	Chatham	132,200	44,200	178,300	245,200
1896	Dobie & Co.	Glencoe	14,000			64,000

[Sources: *Monetary Times; Brussels Post; Fergus News-Record;* Glencoe *Transcript; London Free Press; Port Elgin Times; Waterford Star.*]

of $18,000 and assets with a nominal value of only $7,000.[141] At the other extreme was the long-established private bank of Samuel Barfoot of Chatham, which went into voluntary liquidation in 1895, leaving liabilities of $178,300 against nominal assets of $245,200, more than $126,000 of which was in the form of real estate and second mortgages.[142] Because of the nature of the assets, and the time necessary to realize on them, Barfoot's Bank experienced a protracted liquidation. Liabilities still totalled $126,000 a year after the closure of the bank.[143] As with Conn's Banking House, the Merchants Bank, which had lent Barfoot $45,000, assisted in the orderly realization of the assets, rather than attempting to recover all their claims immediately, as they had done in private bank failures of the early 1880s.

Despite the steady stream of failures and liquidations through the 1890s, private banking retained its dominant place in the hinterland, in the number of offices and volume of business. Public confidence did not begin to erode until a rash of failures in 1897 and 1898. The chartered banks did not deviate from their cautious policies until late in the decade. George Hague's view, as he explained to the annual meeting of the Merchants Bank in 1892, was that:

> ....in banking as in other lines of business, along with an increasing volume of business, there has been a decreasing ratio of net profit on the business done.[144]

Like other general managers, Hague had to contend with the shareholders' insistence on a healthy divided. For accounting purposes, the Merchants Bank raised its capital marginally to $6,000,000 in 1892.[145] Hague told the meeting that a reduction to $5,000,000 had been considered: "Not that we need more capital, for we do not."[146] In this period of sluggish profitability for chartered banks, their managers focused their attention on building up their reserves and meeting dividends. They were reluctant to risk their existing resources on branch expansion, and never considered an increase in capital to finance such an expansion.

REFERENCES FOR CHAPTER VI

[1]Totals quoted are the private banks listed by the Dun and Wiman *Mercantile Reference Books* for the 1880s. All totals of private banks exclude the offices listed for Toronto; after 1880 the Toronto private bankers dealt primarily in bonds, stocks and debentures and real estate.

[2]*Monetary Times,* 17 Oct. 1884. The writer of these lines is not identified.

[3]*Monetary Times,* 17 Oct. 1884. The writer is identified only as "writing from Amherstburg," but the only private banker in that town at the time was Cuddy. As well, the sentiments in the statement are consistent with statements made by Cuddy at other times.

[4]*Kent County Directory, 1880.*

[5]*Monetary Times,* 19 Nov. 1886.

[6]*Sarnia Observer,* 21 Oct. 1892; *Petrolia Advertiser,* 28 Oct. 1892.

[7]*Bothwell Times,* 16 June 1898.

[8]*Bothwell Times,* 13 May 1886; *Monetary Times,* 4 June 1886.

[9]*Monetary Times,* 20 Nov. 1885. "Lucas and Co. of Markdale have not failed; it was the fact of their previous connection with Thomas Fawcett, who did fail, that led to the confusion mentioned above."

[10]*Monetary Times,* 14 Feb. 1889.

[11]*Monetary Times,* 29 May 1885.

[12]Dun and Wiman, *Mercantile Reference Book,* July 1884.

[13]*Monetary Times,* 28 Nov. 1890.

[14]*Listowel Banner,* 14 Jan. 1880; Elora *Lightning Express,* 30 Oct. 1879.

[15]*Monetary Times,* 11 June 1878.

[16]*Fergus News-Record,* 19 May 1881.

[17]*Grey County Directory, 1865; Fergus News-Record,* 14 May 1880.

[18]*Monetary Times,* 31 July 1885.

[19]*Grand Valley Centennial* (Grand Valley, 1961), p. 38.

[20]Dun and Wiman, *Mercantile reference Book,* Jan. 1880.

[21]A postcard from the Hagersville Banking Co., dated 20 Feb. 1883, is in the Bank of Canada Private Banking Collection; the office is not listed in the Dun and Wiman *Mercantile Reference Book* for July 1884.

[22]*Monetary Times,* 3 Apr. 1885; *Bothwell Times,* 17 Sept. 1885.

[23]The last advertisement appeared in the *Bothwell Times* of 2 Apr. 1885; the closure of the bank was announced in the 1 Oct. 1885 issue.

[24]*Monetary Times,* 2 Oct. 1885.

[25]*Bothwell Times,* 12 Nov. 1885.

[26]*Bothwell Times,* 17 Jan. 1884.

[27]*Monetary Times,* 8 July 1887.

[28]*Monetary Times,* 16 July 1886.

[29]*Uxbridge Journal,* 8 July 1880.

[30]*Uxbridge Journal,* 27 Dec. 1883. The supporting chartered bank also changed: Gordon's Uxbridge office had dealt with the Imperial Bank; Black dealt with the Ontario Bank. Gordon's manager at Uxbridge, W. Smith, remained with Black.

[31]Dun and Wiman, *Mercantile Reference Book,* July 1887.

[32]*Monetary Times,* 17 Oct. 1884. See footnote 3, *supra.*

[33]*Monetary Times,* 21 Jan. 1887.

[34]*Forest Free Press,* 3 June 1909.

[35]Dun and Wiman, *Mercantile Reference Book,* July 1887.

[36]*Monetary Times,* 4 Feb. 1887.

[37]*Monetary Times,* 4 Mar. 1887.

[38]*Monetary Times,* 11 Mar. 1887.

[39]A.B. Jamieson, *Chartered Banking in Canada* (Toronto, 1953), p. 370.

[40]The following paragraphs draw heavily on W.N. Clarke and J.G. Esler, "The Bank of London, in Canada," unpublished and undated manuscript, Regional Collection, University of Western Ontario. See also D.W. Shales, "The Bank of London in Canada," unpublished manuscript, 1936, Regional Collection, University of Western Ontario.

[41]*Ingersoll Chronicle*, 20 Mar. 1884; *Monetary Times*, 25 July 1884.

[42]*Monetary Times*, 27 Feb. 1880.

[43]*Monetary Times*, 21 Oct. 1887.

[44]*London Free Press*, 23 Aug. 1887.

[45]*Exeter Advocate*, 1 Sept. 1887.

[46]W.N. Clarke and J.G. Esler, "The Bank of London, in Canada." Alda Hyatt, *The Story of Dresden* (Dresden, 1967), p. 33, gives a garbled and inaccurate account of this banking office, stating that Sharpe's private bank opened about 1875, then failed and was taken over by the Bank of London, and became the Bank of Commerce at the turn of the century.

[47]Dun and Wiman, *Mercantile Reference Book*, July 1890.

[48]Watford *Guide Advocate*, 5 Sept. 1890. The Traders Bank had been planning to close the office for over two years. See *The Age* (Strathroy), 29 Mar. 1888.

[49]See Tom Naylor, *The History of Canadian Business, 1867-1914, Vol. 1* (Toronto, 1975), pp. 142-3. Naylor's account seems to be based exclusively on article in the *Monetary Times* of Nov. and Dec. 1887.

[50]Victor Ross, *History of the Canadian Bank of Commerce, Vol.2* (Toronto, 1922), pp. 110-11.

[51]*Monetary Times*, 18 Nov. 1887.

[52]A. St. L. Trigge, *History of the Canadian Bank of Commerce*, III, p. 60.

[53]Victor Ross, *History of the Canadian Bank of Commerce*, II, pp. 557-8.

[54]*Monetary Times*, 6 July 1888.

[55]Durham *Grey Review*, 21 Dec. 1882.

[56]*Guelph Daily Mercury,* 28 Mar. 1888.

[57]In March 1887 the Federal Bank held $6.02 million of the $226.57 million in bank assets. "Statement of Banks," *Monetary Times,* 29 Apr. 1887.

[58]Glencoe *Transcript,* 23 Nov. 1876.

[59]Walker Papers, R.W. Smylie to B.E. Walker, 26 Feb. 1883, private.

[60]Notably, M.P. Hayes of Seaforth. Seaforth *Huron Expositor,* 30 Jan. 1880; 17 Aug. 1883. Interestingly, H.S. Strathy had served as general manager of the Bank of Commerce, from 1869 until 1872. The Hayes office did not open until 1880, but some of Strathy's thinking may have persisted at head office.

[61]Bank of Canada, Private Banking Collection, promissory note to H.H. Groff, "Payable at the Federal Bank, Simcoe;" *Norfolk Reformer,* 10 June 1886.

[62]*Tilsonburg Observer,* 17 June 1880.

[63]Tom Naylor, *The History of Canadian Business, Vol. 1,* p. 143. The Forbes and Lownsborough account with the Federal Bank was either $60,000 or $100,000, depending on which report in the *Monetary Times* is correct (11 July 1884 or 7 June 1889). Litigation concerning this brokerage firm dragged on more than three years. *Monetary Times,* 7 June 1887.

[64]*Monetary Times,* 18 July 1884; 22 Aug. 1884.

[65]*Monetary Times,* 28 Nov. 1887. The Federal Bank had sold the company in 1884 to realize on its security; by 1887 about $1,000,000 of principle had been paid, but no interest. Four other Canadian banks had a total of $416,000 tied up in this account.

[66]*Journal of Commerce,* 26 Oct. 1883.

[67]Merrill Denison, *Canada's First Bank, Vol. 2* (Toronto, 1967), p. 244.

[68]Victor Ross, *History of the Canadian Bank of Commerce, Vol.2,* p. 110.

[69]*Monetary Times,* 21 Nov. 1884.

[70]*Monetary Times,* 2 Oct. 1885. Squire and Boughner secured some additional support from Molson's Bank, but not enough to save the business.

[71]*Monetary Times,* 31 July 1885.

[72]*Waterford Star,* 1 Mar. 1883; 22 Mar. 1883. Minkler's failure is discussed in more detail in Chapter IV, *supra.*

[73]Minkler advertised in the *Ingersoll Chronicle* Aug. 1876 until Aug. 1879; and began advertising the Waterford Bank in the *Waterford Star* on 12 Dec. 1879.

[74]See Chapter IV, *supra.*

[75]Glencoe *Transcript,* 11 Apr. 1878. The new owner, W. Swaisland and Co., maintained the Federal Bank connection until about 1880.

[76]*Brussels Post,* 29 Jan. 1892. Dr. McTaggart supplied most of the capital to his banks, but left the day-to-day management to his partners or hired managers in order to pursue his many business interests, which included lumber operations in Alabama. See *Brussels Post,* 23 Feb. 1894. His worth declined over time. Dun and Wiman rated his strength in the $75,000 range in 1873, but only $20,000 in 1891.

[77]For example, demand deposits declined 11% from March 1886 to March 1887. See the monthly "Statements of Banks" published in the *Monetary Times.*

[78]Victor Ross, *History of the Canadian Bank of Commerce, Vol. 2,* pp. 111-12. Historians are divided on the causes for the ultimate demise of the Federal Bank. Ross contends that the management of the Federal Bank under Yarker had been "unfortunate rather than dishonest." Tom Naylor, *History of Canadian Business, Vol. 1,* p. 143, contends that the Federal Bank resumed after its troubles in 1884, "only to fail again in 1887 [*sic*] under virtually identical circumstances." Adam Shortt, *Adam Shortt's History of Canadian Banking, 1600-1880* (Toronto, 1986), p. 699, states, "bad management, among other causes, led to the ultimate disappearance of the bank." It is unclear whether he is referring to regime of Strathy, Yarker, or both.

[79]*Monetary Times,* 13 Apr. 1888.

[80]Strathroy *The Age,* 5 Apr. 1888.

[81]*Monetary Times,* 15 June 1888.

[82]T.A. Stephen, manager at Simcoe, was manager of the Bank of Commerce Guelph branch in 1890. F. Cole of the Newmarket branch served as manager of the Bank of Ottawa at Arnprior.

[83]*Tilsonburg Liberal,* 6 Sept.; 13 Sept. 1888. The Federal Bank advertisement last appeared in the Sept. 6 issue.

[84]*Guelph Daily Mercury,* 21 Feb. 1888.

[85]*Monetary Times,* 22 June 1888.

[86]*Lucknow Sentinel,* 30 Nov. 1888.

[87]*Monetary Times,* 18 Apr. 1890.

[88]*Listowel Banner,* 14 Jan. 1880.

[89]*Monetary Times,* 14 Aug. 1885.

[90]*Monetary Times,* 21 Apr. 1893.

[91]Ken Palmer, "Private Bankers of Bruce County," *Bruce County Historical Society Yearbook,* 1990.

[92]*Lucknow Sentinel,* 2 Feb. 1900; George Siddall was listed as manager. Beginning in Jan. 1902, the advertisements read, "Geo. A. Siddall, Banker."

[93]*Lucknow Sentinel,* 31 July 1891.

[94]Glencoe *Transcript,* 2 Aug. 1877.

[95]Glencoe *Transcript,* 10 Nov. 1880; 27 Jan. 1881. The bank retained the connection to Molson's Bank until it closed on the death of Isaac Rathburn in 1910.

[96]*Monetary Times,* 10 Aug.; 17 Aug. 1888.

[97]*Guelph Daily Mercury,* 21 Feb. 1888.

[98]*Guelph Daily Mercury,* 31 Jan. 1888. The report of the *Guelph Herald,* quoted in the *Monetary Times,* 3 Feb. 1888, stated that Cutten's failure was "no surprise to the local business community, and had been looked for some weeks ago."

[99]*Guelph Daily Mercury,* 31 Jan. 1888.

[100]*Monetary Times,* 3 Feb. 1888.

[101]*Guelph Daily Mercury,* 29 Feb.; 1 Mar.; 19 Mar.; 28 Mar.; 9 Apr.; 4 May 1888. W.H. Cutten received exceptional treatment throughout the course of his trial. The *Mercury,* 19 Mar. 1888, reported on his arrest: "It is understood that a constable was detailed to take charge of Mr. Cutten, he having secured no bail, and instead of spending from Saturday to Monday in Castle Mercer [the Guelph jail] he enjoyed the privacy of his own home. The public probably don't care much where Mr. Cutten puts in this time, but they are anxious to know how this special privilege was granted to him and on whose authority."

[102]The debate surrounding this amendment is discussed in detail in Ch. IV,*supra.*

[103]The prospectus for the York County Bank appeared in the *Monetary Times,* 14 Nov. 1890. Yarker's colleagues in the venture included wholesaler George Gillespie, insurance man Thomas Wood, and Robert Davies of the Dominion Brewery.

[104]*Monetary Times,* 14 Nov. 1890. Yarker cannot be accused of an aversion to large accounts. During his term as Toronto manager of the Bank of Montreal in the late 1870s and early 1880s he supervised the financing of many railway construction projects in Ontario. See A.St. L. Trigge, *History of the Canadian Bank of Commerce, vol. 3,* p. 226.

[105]*Monetary Times,* 9 Sept. 1892.

[106]A.St.L. Trigge, *History of the Canadian Bank of Commerce, vol. 3,* p. 226; Toronto *Globe,* 5 July 1923; *Toronto Daily Mail,* 4 July 1923.

[107]Merrill Denison, *Canada's First Bank, Vol. 2* (Toronto, 1967), p. 244.

[108]Tom Naylor, *History of Canadian Business, Vol. 1,* p. 143.

[109]Victor Ross, *History of the Bank of Commerce, Vol. 2,* p. 22.

[110]*Monetary Times,* 9 Nov. 1888. Fitzgerald had been manager of the Merchants Bank earlier in the decade. See *Owen Sound Advertiser,* 12 Jan. 1882.

[111]Figures on the size of the private banking system are taken from the listings published in the quarterly *Dun and Wiman Mercantile Reference Books,* adjusted for known errors and omissions. These are the most accurate directory listings for private bankers, and exclude most of the mortgage brokers and financial agents who preferred to call themselves bankers, but did not operate a true banking office by any reasonable definition of the term.

[112]*Monetary Times,* 5 Oct. 1888.

[113]*Monetary Times,* 14 Feb. 1890; 24 Oct. 1890; 7 Oct. 1892; 11 Mar. 1892.

[114]*Monetary Times,* 18 Apr. 1890.

[115]*Monetary Times,* 9 Nov. 1894.

[116]Merchants Bank annual statement, as reported in *Monetary Times,* 23 June 1882.

[117]*Monetary Times,* 3 June 1887.

[118]Drummond, *Progress Without Planning,* pp. 361; 394-6.

[119]A.B. Jamieson, *Chartered banking in Canada,* p. 363.

[120]See Victor Ross, *History of the Canadian Bank of Commerce,* II pp. 557-8. The successful branches were Sault Ste. Marie (1889), Waterloo (1889), Walkerville (1890), Cayuga (1890), Dresden (1898) and Port Perry (1898). With the exception of a seasonal agency at New Orleans in 1896, the Bank of Commerce opened no new offices between 1894 and 1898.

[121]*Waterford Star,* 17 May 1894.

[122]*Waterford Star,* 28 June 1894.

[123]*Waterford Star,* 16 Sept. 1897; Progress Edition, Dec. 1909. Cowdry sold the bank to the Ontario Bank in 1903, remaining as manager.

[124]A. St. L. Trigge, *History of the Canadian Bank of Commerce,* III, pp. 527; 533; 542.

[125]Dun and Wiman, *Mercantile Reference Book,* Mar. 1897; *Monetary Times,* 21 July 1876.

[126]A.St.L. Trigge, *History of the Canadian Bank of Commerce,* III, p. 96.

[127]Thomas Workman, quoted by *Monetary Times,* 12 Oct. 1888.

[128]Alliston *Herald,* 21 Apr. 1898; Victor Ross, *History of the Canadian Bank of Commere,* II, pp. 557-8.

[129]George Hague, quoted by *Monetary Times,* 14 June 1889.

[130]George Hague, quoted by *Monetary Times,* 17 June 1892.

[131]*North Hastings Review,* 4 July 1889.

[132]*Monetary Times,* 22 Nov. 1889.

[133]*Uxbridge Journal,* 21 Nov. 1889.

[134]*Uxbridge Journal,* 23 June 1887. Dun and Wiman rated Black's financial strength in the $5-$10,000 range, and that of Gould in the $75-$125,000 range.

[135]*Whitby Chronicle,* 27 Dec. 1889.

[136]*Monetary Times,* 3 Jan. 1890.

[137]*Brussels Post,* 8 Apr.; 15 Apr.; 22 Apr.; 17 June 1892.

[138]*Sarnia Observer,* 21 Oct. 1892.

[139]*Petrolia Advertiser,* 28 Oct. 1892.

[140]Victor Lauriston, *Lambton's Hundred Years,* p. 135.

[141]*Monetary Times,* 24 July 1891.

[142]*Monetary Times,* 25 Oct. 1895.

[143]*Monetary Times,* 4 Dec. 1896.

[144]*Whitby Chronicle,* 27 Dec. 1889.

[145]Annual Report, Merchants Bank of Canada, 15 June 1892, reported in *Monetary Times,* 17 June 1892.

[146]General Manager's Remarks, Annual Report, Merchants Bank of Canada, 15 June 1892, reported in *Monetary Times,* 17 June 1892. The capital had been $5,799,200, the result of a write-down in capital during the Merchants Bank's difficult period in the late 1870s.

VII. INSOLVENCIES, SELLOUTS AND SURVIVORS: THE END OF PRIVATE BANKING IN ONTARIO

It is impossible to point to a precise date as the zenith of private banking in Ontario. In terms of absolute numbers, the 1890s were characterized by a remarkable consistency, with new entrants to the industry approximately equalling the number of offices closed or failed. The most accurate directory listings, those in the *Dun and Wiman Mercantile Reference Books,* vary between 147 and 154 offices between 1892 and 1899.[1] Although the highest figure, 154 offices, occurred in 1899, there are good reasons for placing the peak of the industry in 1897. In that year a rash of failures began to erode seriously public confidence in unincorporated banks. Perhaps more importantly, the chartered banks switched their long standing policy and began an aggressive program of branch expansion. This altered the relationship between themselves and their private bank customers. Purchasing an existing private bank became the easy way to establish a strong presence in a community. Within a decade, more than half the private banks in the province would be absorbed into the chartered system.

a. Private Bank Failures, 1897-1900

The most serious group of private bank failures since the Fawcett debacle of 1884 took place between December 1896 and August 1897. Seven banks, unconnected with one another, closed their doors, all subjecting depositors to major losses. All these banks were located in the area north and west of Guelph, an area with a high concentration of private banks. Unfavourable publicity, generated by headlines such as "ANOTHER PRIVATE BANK IN TROUBLE,"[2] affected public trust in other private banks, and resulted in withdrawals of deposits from both sound and shaky private banks. A domino effect helped produce this cluster of failures.

The collapse of F.X. Messner's bank in the small village of Formosa in Bruce County occurred in the last days of 1896. Messner was the dominant businessman in the community, owning the major store and a brewery in addition to the bank, which he established in the early 1890s.[3] A lockup of the bank's assets in his own businesses appears to have precipitated his difficulties. The bank's liabilities of $72,000, owed to about 300 depositors and to two chartered banks, the Merchants and Commerce in nearby Walkerton, far exceeded the assets.[4] At the time of the closing these assets totalled only about $15,000, a large portion of which consisted of loans to Messner's other business ventures. Presumably, most of these assets would have been pledged to the chartered banks as security for loans from them. The burden of the failure thus fell on the depositors and on Messner himself, who lost everything he owned when he was forced to liquidate all his assets to pay the creditors.

F.X. Messner's bank did much of its business with German-speaking farmers. As a German Catholic himself,[5] Messner stood out in a profession that consisted almost entirely of Anglo-Saxon Protestants. In a last effort to save his business empire shortly after the bank closed, Messner attempted to draw on his close community associations. He proposed that his depositors form a joint-stock company. They would turn their claims against him into shares in the new company, and invest additional capital to pay off the debts. Unfortunately, Messner's major creditors refused to participate in this interesting debt-to-equity scheme, and only 25 of the 300 depositors were willing to put more money into Messner's bank. Newspaper accounts hinted that it was "opposed by powerful local influence."[6] At the auction of his assets Messner purchased his store stock at 75 cents on the dollar, but he failed to reestablish himself. The ethnic community that he had fostered for decades turned on him after the bank failure. Six years later, his fall was recorded in a newspaper story:

> A pathetic figure on the streets of Formosa is its former great man, Mr. F.X. Messner. This gentleman once refused a parliamentary nomination, and his cheque was good for many thousands. Now he is reduced to a poor condition of life, and left to finish his journey in poverty and obscurity. Mr. Messner was a very charitable man; many's the one who in a streak of bad luck, appealed to this generous hearted man and was quickly and cheerfully helped out of the hole....It would not hurt some of those who profited by his bounty to provide for the comfort of his declining years.[7]

Ontario's other German-language private bank was located in Mildmay. It suffered mass exodus of deposits at the time of the Messner failure in nearby Formosa, and failed six weeks later.[8] Established as the Carrick Banking Company in 1883, this bank was reorganized as the Carrick Financial Company in 1889 by Charles Schurter and four partners, all of them Germans, who owned most of the industry in Mildmay.[9] As was the case in Formosa, the Carrick Financial Company had built a close relationship with the ethnic German agricultural community, serving German farmers in a wide radius around Mildmay. The bank advertised not only in the *Mildmay Gazette,* but also in the Walkerton *Bruce Herald* and the German language *Ontario Glocke,* also published in Walkerton.

The bank supplied much of the capital employed in the various business ventures of its proprietors. During the last six weeks the bank was open, depositors withdrew about $12,500, reducing the liabilities from $64,000 to $51,500.[10] At this point the liquid assets had been depleted, and several depositors served writs on the bank. The Bank of Commerce, which supported the Carrick Financial Company with a $25,000 loan, seems to have been well secured. A considerable portion of the remaining assets consisted of loans to the partners in the bank, and mortgages, and real estate, all of which had a market value below their book value.

Charles Schurter and his partners tried to resolve the crisis within the German-speaking community. They succeeded in having a business associate, John Schneider, appointed the assignee to sort out the complicated relationship between the bank and their various business enterprises. Some of the 400 depositors objected to the creditors' meetings being conducted in German, and to Schurter's efforts to maintain a tight control on the proceedings.

The failure devastated the local Mildmay economy. The flour mill, woolen mill and foundry, all owned by partners in the bank, closed in rapid succession. The course of events took an ugly turn in May 1897 when Charles Schurter was arrested on a fraud charge in connection with the bank.[11] Depositors eventually settled for 28 cents on the dollar.[12] The supporting Bank of Commerce showed little interest in Mildmay, and neither opened a branch there nor supported another private bank. The rival Merchants Bank moved into the void in September 1898, opening a branch in the former Carrick Financial Company office.[13]

The closures of the Formosa and Mildmay banks induced depositors to withdraw deposits from J.C. Graham's bank in the nearby small village of Tiverton. This was one of Ontario's smaller private banks, rating a financial strength of $5,000 to $10,000 by Dun and Wiman. Graham's liabilities reportedly totalled about $20,000, part of which was owed to the Merchants Bank.[14] Depositor restiveness turned to alarm when Graham disappeared amid rumours of forgeries and irregularities at the bank. Graham, it appears, fled to the United States. His conduct did little to enhance the reputation of private banking, and statements such as "the latest in the list of bank failures"[15] did further damage.

The two private banks in Seaforth collapsed in August 1897. The first, J.C. Smith and Company, had been established in 1888 as the North American Banking Company, and later did business as the Seaforth Banking Company. Smith made an assignment to the sheriff when he was unable to pay a major depositor in cash. Originally a career banker with the Bank of Commerce, Smith was hired by the

Toronto brokerage firm of Fergusson and Blaikie the month following the failure. No financial details of the bank were published, and it was unrated by Dun and Wiman. J.C. Smith was supported by the Bank of Commerce, which also had a branch in Seaforth. It appears likely that Smith worked closely with his supporting bank, carrying accounts that the Bank of Commerce was disinclined to have on its own books. The *Wingham Times,* which had made much of previous bank failures, advised readers, "There need be no uneasiness on the part of the creditors, as we understand they will be paid in full."[16]

The other Seaforth private bank, Logan and Co., predated J.C. Smith and Co., having been founded in 1884 when S.G. McCaughey, a lawyer, and William Logan, a miller and grain dealer, opened in the office previously occupied by the Royal Canadian Bank. Eventually Logan's son Robert, also a commodity broker, took over the management.[17] Logan and Co. closed about two weeks after the failure of J.C. Smith, as a result of a run on deposits. Robert Logan also had a bank in Glenboro, Manitoba, which closed at the same time. Slow payments by his Manitoba borrowing customers had aggravated his problems.[18] As with Smith's bank, depositors do not seem to have lost in Logan's failure. The liabilities at the time of closure totalled $28,900, about $20,000 of which was owed to the Bank of Montreal. Assets exceeded liabilities by $3,500, but a third of the assets was represented by real estate.[19] The effects on the Seaforth economy were minimized by the presence of two chartered banks, the Commerce and Dominion, in the town.

The insolvency of John Beattie's bank in Fergus came to light after Beattie died and his executors attempted to sort out his affairs. The liabilities totalled $64,386, offset by assets of only $51,944. These figures exaggerate somewhat the importance of this bank. Deposits totalled $48,385, but $30,500 of this was in three accounts. The Bank of Montreal had an outstanding loan to Beattie of $15,700, but it was fully secured by $22,000 of Beattie's best assets.[20] Much of Beattie's loan portfolio consisted of short term, unsecured loans to local businesses and individuals. On these he normally charged 12% interest.[21] The news of depleted condition of Beattie's bank shocked the Fergus community, where he had been "looked upon as one of the wealthiest men in the district."[22] This was one of the oldest private banking businesses in the province, having opened early in 1870 when the Royal Canadian Bank closed its Fergus branch.[23] As well, Beattie had held positions as the County Clerk, Poorhouse Inspector, and secretary of a fire insurance company that in total brought him more than $1,000 per year in salaries. Part of his difficulties resulted from unsuccessful speculation in real estate and mortgages, both in the Fergus area and in Manitoba, where he owned 1,600 acres.

It is likely that Beattie concentrated on unsecured, high-interest loans after the Imperial Bank opened its Fergus branch in 1878. At the time of the closure, there were only about 75 deposit accounts, several of which were estates being managed by Beattie. None of the town's merchants or businessmen had deposit accounts in the bank. The nature of Beattie's business shows that even in a small centre there could be a place for a private banker operating in a niche market.

Four more failures occurred in 1898, and another two in 1899, followed by the spectacular collapse of Stinson's Bank in Hamilton in 1900. Of the 1898 failures, that of Stanley Patterson of Port Hope, was the largest: he had liabilities of $235,800. As was the case with John Beattie, the insolvency of the bank was not known until after Patterson's death, when it became apparent that the assets fell short of the liabilities by $17,000. Patterson had traded under the name of 'The Midland Banking Co.,' and later as the 'Midland Trust Company.' The latter name caused a great deal of confusion in the public mind with another financial institution, the Midland Loan and Savings Company, a confusion that many believed had been deliberate.[24] Patterson's critics claimed the name had been chosen deliberately to confuse the public, but his defenders countered that the name had been chosen to avoid violating the Bank Act's prohibition of the use of the term 'bank' by unincorporated institutions.[25] Even the *Monetary Times* confused the two institutions in its initial report of the failure.[26]

Patterson's executors and the Midland Trust's depositors engaged in a lengthy dispute regarding the ranking of the claims of the Patterson family and other creditors against Stanley Patterson's estate.[27] Stanley Patterson had put some $30,000 of his own money into the bank, which he listed as a deposit rather than capital. There was a further $102,000 deposit that Patterson had been administering as executor of the estate of his brother, Thomas Patterson. These two claims accounted for 30% of the liabilities of the Midland Trust. The other creditors, naturally, objected to the Pattersons being ranked as ordinary creditors. The depositors accepted an initial payment of 25 cents on the dollar in April 1898, and eventually received about 70 cents on the dollar.[28]

Stanley Patterson had come to Port Hope in 1860 as agent for the Montreal Telegraph Company, and had continued in this position until his death. In the 1860s he became the local express agent as well, and through this position gradually began to conduct banking activities, prospering as a money broker during the American civil war.[29] By 1885 his private bank was prospering, with deposits in the $160,000 range; loans, mostly to farmers, of $128,000; and a large portfolio of farm mortgages. Most of the money for the farm mortgages was borrowed from the Bank of Toronto, which could not accept mortgage business directly.[30] A statement given to the Patterson's creditors, listing the Midland Trust's income and expenses for 1894, reveals that private banking could be very lucrative. In that year, express and telegraph commissions earned $1,836, commissions on railway and steamship tickets $1,064, and interest on loans and mortgages $18,450, for a total income of $21,350. Expenses consisted of interest paid to the Bank of Toronto and depositors of $11,300, office expenses of $519, and salaries of $5,440 to Stanley Patterson and his brother John. Even after drawing these excessive salaries, the brothers were still able to add over $4,000 to the capital of the bank. At one of the depositors' meetings, John Patterson told the depositors that he and his late brother had averaged $3,000 each in salaries per year.[31]

Other than Stinson's Bank of Hamilton, which was a savings bank rather than a full-service private bank, the Midland Trust Company was the largest single private bank failure in Ontario up to the turn of the century. It was also an anomaly by 1898: the last of the private banks to be active in the express and ticket agency business.

The later private bank failures further harmed the name of private banking. Belcher and Co. of Southampton closed early in 1898, with liabilities of about $7,500. Depositors settled for 50 cents on the dollar.[32] Curiously, the failure did not harm Belcher's reputation: he was elected mayor of Southampton in 1904.[33] Alfred Hunt of Bracebridge closed his bank in May 1898, with about $54,000 in liabilities, due to liquidity problems resulting from the lockup of assets in real estate.[34] The private bank of Mulholland and Roper in Peterborough closed in 1898, after 9 years in business. It appears that it was wound up with no loss to depositors.[35] L.W. Howard's private bank in Chesterville closed in June 1899, after only 15 months of existence.[36] In this short time Howard had built up a large business, with $33,100 in deposits and $42,300 in loans. Unfortunately, much of the loan portfolio was of dubious value, and Howard ran into liquidity problems. Howard had been employed by Molson's Bank, and it appears that the Chesterville private bank was established with the active support of Molson's Bank: they supported Howard with a line of credit that stood at $26,600 at the time of the failure. Howard, it seems, made a total botch of the private banking venture. Molson's Bank opened a sub branch in his office within days of his

Figure 7.1

Private Bank Failures

1896-1899

Year	Firm	Town	Deposits	Owed to Banks	Total Liabilities	Total Assets
1896	F.X. Messner & Co.	Formosa			72,000	
1897	Carrick Financial Co.	Mildmay	38,800	25,600	64,400	65,600
1897	J.C. Graham	Tiverton			20,000	
1897	J.C. Smith	Seaforth				
1897	Beattie's Bank	Fergus	48,400	15,700	64,400	51,900
1897	Logan & Co.	Seaforth	13,000		28,900	32,400
1898	Midland Trust Co.	Port Hope			235,800	218,700
1898	Belcher & Co.	Southampton			7,500	5,000
1898	Alfred Hunt	Bracebridge			54,000	
1898	Mulholland & Roper	Peterborough				
1899	L.H. Howard	Chesterville	33,100	26,600	59,700	55,100
1899	Mowat & Co.	Stratford	53,000	17,700	70,700	115,900

[Sources: *Monetary Times; Port Elgin Times; Lucknow Sentinel; Fergus News-Record; Port Hope Times;* Chesterville *Record; Stratford Evening Herald;* J.C. Graham, "More Ontario Private Banks," *Transactions of the Canadian Numismatic Research Society,* 26 (1990).]

within days of his failure, retained Howard's teller, and brought in two other experienced men to staff the office. The last in this series of private bank failures was that of Mowat and Company of Stratford, among the oldest banking firms in the province, which closed in September 1899.

The origins of Mowat's Bank dated back to 1863, when William Mowat opened an exchange office, which he expanded into a full-service private bank in 1874, as William Mowat and Son, with several Stratford area farmers as silent partners.[37] Mowat prospered in the 1870s, when he also owned flour and woolen mills. By the 1890s, Mowat's had to compete with branches of three chartered banks: The Commerce, Merchants, and Montreal. Mowat closed with outstanding deposits of $52,000, but the total had once been much higher. As a result of rumours that he was in a shaky financial condition, the bank suffered serious runs in May and July previous to the closure. One account had him paying out $20,000 in these runs. For the last five weeks he had required 30 days' notice for withdrawals.[38]

Mowat tried to wind down the business and liquidate the assets in an orderly manner. His plan was frustrated by some poor investments in real estate and by a ledger full of stale overdrafts, which he had never written off as losses. Therefore, the assets, carried on the books at $116,000, were considerably overvalued. The Imperial Bank, which supported Mowat, was fully secured for its $18,000 loan, but the depositors eventually realized only about half their money.

At the time of its failure, Mowat's bank was well past its heyday. The proprietor had reached the age of 70, and was no longer a major force in Stratford's business sector that he had been 20 years before.[39] Many of his remaining depositors were also elderly; no doubt many had been dealing with him for decades. A disproportionate number came from the agricultural region of northern Oxford and southern Perth counties.[40] These were farmers who grew up in the era when chartered banks were institutions to be distrusted.

There are hints in the series of failures in the late 1890s that private banking had peaked was beginning to decline: aging proprietors who grew neglectful of sound banking practices; investments in real estate rather than short term loans; and a lack of growth or even a decline in deposit and loan totals. Given a choice, the public turned increasingly to the growing number of chartered branches to transact their banking business. Only a few isolated private bankers continued to thrive.

b. The Growth of Branch Banking and Takeovers of Private Banks by Chartered Banks, 1897 - 1908

In terms of its size, the branch network of the chartered banks remained relatively static until the late 1890s. There were 250 charted bank offices in Ontario in 1892, a larger number than the total of private banking offices, but 53 of these offices were located in the major centres of Toronto, Hamilton, London, and Ottawa.[41] Over the next five years, the total number of offices rose by 12; half of the additions were in the four major centres. After 1897 the chartered banks reversed their long-standing caution, and began to open new offices readily and willingly in the smaller centres of Ontario. By 1902 the province had 349 chartered bank offices, an increase of 33% in five years. This expansion occurred predominantly in the hinterland: only 13 of these new offices were in the four large centres; the remaining 74 were in the smaller cities, towns, and villages.

Growth rates of the banks themselves followed a similar pattern: slow growth in the early 1890s (about 3% per year in total assets), increasing growth in the middle of the decade, and rapid growth after 1897 (more than 10% per year).[42] Bank employment followed a similar course. The Bank of Montreal, still the largest Canadian bank with 19% of the total chartered bank assets, employed more than 500 people by 1898.[43] Operation of the system became more efficient with the establishment of cheque clearing houses in Toronto and Hamilton in 1891. These added speed and efficiency to the settlement of accounts among the several chartered banks, replacing the awkward system of individual daily settlements. Clearing houses also facilitated the use of cheques as a means of payment. To participate in the cheque clearing system, private bankers had to use a connection with a chartered bank branch, which put them at a competitive disadvantage in terms of speed and cost. The introduction of clearing houses permitted the chartered banks to reduce the service charge on cheques from 25 cents to 15 cents in the 1890s.[44] Unless they were able to secure a special agreement with their chartered bank connection, private bankers had to pay this fee, the same as any other chartered bank customer. The introduction of clearing houses brought another efficiency to the chartered banks. They were able to reduce significantly the amount of cash carried at individual branches to meet potential and unexpected demands. According to Merrill Denison, the Bank of Montreal was able to reduce its cash holdings at individual branches from 20% to 60% after the introduction of clearing houses.[45]

Led by George Hague of the Merchants Bank in 1888, the chartered banks began making reciprocal agreements to accept one another's banknotes at par. By the end of 1889 there were many such agreements.[46] The Bank Act revision of 1890 prescribed that all notes of the chartered banks had to be accepted at par anywhere in the country.[47] This provision undermined to some extent the usefulness of private banks to chartered banks in boosting the circulation of their banknotes. When its competitor's banknotes changed hands at a discount in a particular locality, it was easy for one bank to maintain a virtual monopoly on the circulating currency. This was no longer the case when all banknotes circulated at par.

The chartered bank failures of the 1880s had made the public acutely aware of potential dangers in the Canadian banking system, particularly regarding the value of banknotes of failed banks. Various provisions were added to the 1890 revisions to guarantee the face value of all banknotes through a redemption fund.

Of significance to private bankers was Section 100 of the revised Bank Act, which outlawed the use of the word `bank' by a private bank. This was the same proposal that had created a furore when it was proposed in the House of Commons in the 1880s. At that time private bankers, led by J.H. Fairbank, the private banker and M.P. from Petrolia, had lobbied against it. This time it passed into law seemingly without notice. The Canadian Bankers Association was still not completely satisfied, and feared that variants and foreign terms might be used. Their journal suggested that `banca' might be employed "to attract and dupe Italian depositors."[48]

Another provision, which became generally known as "Section 88," authorized a wider range of security to be held by banks, including inventory and work in progress at a factory, and livestock on a farm. The paperwork for the taking of this security was made simple and straightforward.[49] Section 88 loans permitted the chartered banks a wider scope in soliciting business in small town and rural Ontario, to the detriment of private banks.

Though none of the internal and external changes in the situation of chartered banks gave them an overwhelming advantage over private banks, the cumulative effects began to be felt late in the 1890s. Chartered bankers realized that the best way to gain a foothold in a new town was to purchase an existing and successful private bank, and if possible to retain the private banker as manager of the new branch. Several received repeated unsolicited offers before they sold out.

Molson's Bank initiated the take-over method of expansion in 1898, when it purchased H.H. Groff's private bank in Simcoe. Groff had operated his bank since the mid-1880s. His father, Henry Groff, had served as treasurer of Norfolk County in the 1850s, and later had been manager of the Federal Bank until his death in 1885,[50] in this capacity assisting his son to establish his private bank, which he operated successfully in competition with a Bank of Commerce branch in Simcoe. Groff remained as manager of Molson's Bank until at least 1913.[51]

Though it undertook the first private bank takeover, Molson's Bank did not undertake a major branch expansion program until after 1900. The rapid branch network expansion of the late 1890s was initiated by the Bank of Hamilton. Some 40 new offices were opened between 1898 and 1900 in Ontario; ten of these were Bank of Hamilton branches. It was an aggressive expansion policy. Most of the new Bank of Hamilton offices were established in towns with existing banking facilities. For example, it confronted successful private banks in Blyth, Dundalk, Palmerston, and Port Rowan. At all these points, the private banks managed to hang on for years, McMurchie and Rance at Blyth until at least 1917, Lucas and Co. at Dundalk until 1918, J.W. Scott at Palmerston until 1908, and C.S. Killmaster at Port Rowan until 1919. At two other towns, Beamsville and Delhi, there were existing but weak private banks that the Bank of Hamilton may have taken over.[52] At Dundas and Niagara Falls there were existing chartered bank branches. At Southampton the Bank of Hamilton assumed the office of the failed A.E. Belcher and Co., which had been supported by the Merchants Bank. The Bank of Hamilton already had a branch in nearby Port Elgin. Of the ten new offices, only the one at Jarvis tapped bankless territory. The Bank of Commerce formerly had a branch in this town, but closed it as unprofitable in 1896.[53] The direction of this expansion program was less to develop new business than to capture existing banking business from competitors.

The Merchants Bank had, since the 1870s, the most intense involvement with private banking of the Canadian chartered banks. George Hague, the Merchants Bank's general manager since 1877, championed the role of well-run private banks all his banking career. In his view, private banks could best adapt to fit the needs of the local community and they could permit his bank a major presence in Ontario without the expense or supervisory problems of an extensive and unwieldy branch network. Under his guidance, the Merchants Bank maintained a stable network of Ontario branches while supporting dozens of private banks. This policy changed after 1897, when Hague retired and was succeeded by Thomas Fyshe, formerly the general manager of the Bank of Nova Scotia. Fyshe was a staunch proponent of Scottish banking practices, such as strong branch systems, short credits, and liquidity of assets.[54]

In a sense, Fyshe continued Hague's policy of co-opting local financial and business interests, rather than confronting them directly as the Bank of Hamilton was doing at this time. Fyshe began his expansion program in 1898, when he purchased Thomas Fuller's private bank in Leamington, which the Merchants Bank had been supporting since it opened in 1880.[55] In 1898 the Merchants Bank also opened an office at Alvinston, at the same time as Molson's Bank opened in this town. During 1899 and 1900 Fyshe added five more offices to the Merchants Bank network, four of which through the purchase of successful private banks. Fyshe acquired the bank of J.H. Elliot of Chesley when the proprietor retired in 1899. Established in 1881, this had been one of the Merchants Bank's larger private bank clients, authorized to borrow up to $50,000.[56] The other banks purchased, McNally and Adams of Hanover, W. Vandusen and Co. of Tara, and Thomas and Kenward of Watford, had all been associated with the Merchants Bank. At Tara, Whitford Vandusen continued to conduct private banking business from the Merchants Bank office before he moved to Toronto in 1900. At the Watford office, Frank Kenward remained as accountant and was promoted to manager in 1903, a position he still held in 1911.[57] The Merchants Bank also opened a sub branch at Mildmay in September 1898, located in the same office as the failed Carrick Financial Company.[58]

These branch expansion programs by the Bank of Hamilton and the Merchants Bank induced most of the other chartered banks to undertake their own programs after 1900. The combination of competitive pressure and outright purchases soon decimated the ranks of Ontario's private bankers. Between 1901 and 1908, at least 44 private banks were purchased by chartered banks. The major player in the latter part of this period was a new upstart, the Sovereign Bank of Canada, which took over 14 private banks between 1902 and 1906, and probably three others, though these cannot be confirmed.

Founded in 1901 by Herbert Holt, later the president of the Royal Bank, the Sovereign Bank embarked on the most rapid and aggressive expansion program undertaken by any Canadian bank since the prime of the Federal Bank in the early 1880s. Its fate was no better: it collapsed, hopelessly insolvent, early in 1908. This bank is of interest in the study of Canadian finance for the large blocks of stock held in it by J.P. Morgan and the Dresdner Bank of Germany.[59] The machinations over transactions in Sovereign Bank stock had little impact on hinterland Ontario, but the Sovereign's branch system, which at its peak numbered 68 offices and sub branches, 34 of which were in rural and small town Ontario, certainly did.

As a relatively late arrival in Ontario banking, the Sovereign Bank pursued several simultaneous strategies in building its branch system. In 13 towns, and possibly 16, existing private banks were purchased. The purchases began with the Stark and Barnes bank in Stouffville in 1902.[60] In 1903 the private banks of William Warnock of Aylmer, J. Snell and Co. of Dashwood and Zurich, A.E. Sinesac of Harrow, and A.W. Carscallen of Marmora joined the network.[61] The following year the Sovereign Bank bought out Joseph Willcocks of Arkona, Clay, Sharpe and Co. of Burke's Falls, J.A. Halsted's Mount Forest office, and Gillies and Smith of Teeswater.[62]

Teeswater.[62] The purchases concluded with Jacob Fuller's bank in Thedford and Alfred Westland's bank in Wyoming in 1905, and Telford and Co. of Owen Sound in 1906.[63] The probable purchases are B.S. O'Neil of Exeter in 1903; Macarthur and Co. of Hensall in 1905; and Murphy, Gordon and Co. of Tweed, also in 1905. These three banks disappear from lists at the same time that the Sovereign Bank branches opened. Seven of these private banks were already in competition with a chartered bank branch. In another six towns, the Sovereign Bank established branches in competition with existing chartered banks. Eleven branches were opened in villages and hamlets with no banking facilities of any type. The latter policy startled the rest of the banking industry. By establishing branches at points were even private bankers saw no opportunity, the Sovereign Bank suggested to its competitors that a profitable banking operation could be established almost anywhere.

A number of private banks sold out to a chartered bank shortly after the latter opened in their town. The firm of Parker Brothers of Stirling is an example. The Sovereign Bank opened in Stirling in August 1902. Parker Brothers sold their private bank the following April.[64] At Alvinston, the firm of Gordon and Douglas sold their banking business to Molson's Bank shortly after the latter opened. T.A. Gordon became the manager of the Molson's branch, while Archibald Douglas continued as a private banker, specializing in mortgages and selling insurance.[65] It is not certain whether Molson's Bank supported Douglas financially in his mortgage agency, but it is plausible.

The desire of the chartered banks to expand their branch networks made private banks very desirable candidates for take overs. The values of these businesses, therefore, probably rose above what they would bring in a normal market, prompting private bank proprietors to sell. This certainly would account for the rapid shrinkage of Ontario's private bank list, from 149 in 1902 to 70 in 1906.[66]

With the rapid increase in chartered bank branches, qualified and experienced bank employees became hard to find. The Merchants Bank normally retained as many employees as possible when it purchased a private bank, and opened a relatively small number of new branches requiring additional personnel. General manager Thomas Fyshe thereby minimized the need for outside recruitment, and opened promotional opportunities within the bank. The Sovereign Bank, with only a few head office employees in 1902, was in a much different position. Interestingly, it placed a high value on the private bankers it acquired. Two, Joseph Snell of Dashwood and W.J. Stark of Stouffville, were made supervising managers of several branches. Though both had some experience in the chartered bank system, neither Snell nor Stark had headed large private banks.[67] Snell was moved to the Exeter branch in 1905, with responsibility for Dashwood, Zurich, and Crediton. W.J. Stark remained manager at the Stouffville office, supervising Markham and Unionville.[68] With the purchase of Telford and Co. in Owen Sound, the Sovereign Bank acquired two managers. J.C. Telford remained as manager in Owen Sound; his son W.M. Telford was transferred to the Sovereign's branch at Durham.[69] When the Sovereign Bank purchased J.A. Halsted's Mount Forest private bank in 1904, they hired George Reid, the accountant at Halsted's Shelburne office, to be manager. After the sale Halsted continued a financial business, operating from an office within the bank branch, lending money on notes and mortgages, which he continued until 1911.[70] This unconventional arrangement suggests that Halsted, one of the wealthiest private bankers in the province, was able to dictate the terms of the sale to the Sovereign Bank.

The Sovereign Bank's promotional campaigns, featuring large display advertisements in newspapers and emphasizing savings accounts, were quickly emulated by the other banks, most notably, the Standard, the Sterling, and the Traders, all of which embarked on ambitious programs to build large Ontario branch systems.

Contrary to Naylor's assertion that the growth of branch banking made private banks more prone to failure by restricting their sphere to high-risk lending,[71] the failure rate of private banks declined dramatically after 1900. There were very few: C.W. Anderson of Oakville, and an associated firm, Anderson and Scott of Palmerston in 1902; G.P. Hughes of Tottenham in 1903; and J.C. Dale and Co. of Madoc in 1914.[72] The overheated, expansionist banking climate between about 1898 and 1906 resulted in the purchase of much of the private bank industry by the chartered banks in their rush to build large branch systems as quickly as possible.

Although the Sovereign Bank lasted until early in 1908, the expansionary phase of banking ended in 1906, when the industry went through one of its crises. The troubles began with the failure of the Ontario Bank in 1906, which had become insolvent through unsuccessful Wall Street speculations. The Ontario Bank and its branches were absorbed by the Bank of Montreal. This failure did not have a great deal of impact on the Ontario hinterland. The Ontario Bank lacked a large Ontario branch system, and had virtually no relations with private banks.[73] The failure of the Ontario Bank was followed by the collapse of two Quebec Banks, the Banque de St, Jean and the Banque de St. Hyacinthe, the absorbtion of the Western Bank by the Standard Bank, and the insolvency of the Sovereign Bank. Meanwhile, in 1907 there had been a monetary crisis in New York, which depleted Canadian bank reserves.[74]

The impact of these events on Ontario hinterland banking was a slowdown in branch openings, and a reduction of credit. Late in 1908, the *Financial Post* declared that the country had just passed through "a revolution in banking," and that the cash reserves of banks and demand for loans had resumed their normal levels. The editorial continued:

> Of much greater importance than this material strengthening of [bank] assets is the great change that has occurred in the relations of bank with bank and of bank with customer...To make the comparison clearer, it is worth while to recall some of the

> conditions that prevailed three and four years ago.
> At that time the Sovereign Bank was exercising a remarkable influence on the whole banking situation. The bank was approaching its zenith, and the apparent prosperity it enjoyed had the effect of spreading what were known as Sovereign Bank methods into quite a general practice. A number of the new banks especially seemed disposed to follow the Sovereign's lead. With regard to the Sovereign's practices it certainly cannot be said that all of them were unsound. Some of them were clearly forward steps in legitimate banking, and are now adopted and used by some of the most conservative banks in the country.[75]

The Sovereign Bank's branches were divided up among the other chartered banks that had assumed its liabilities. The immediate effect was a temporary reduction in the number of branch banks in the province. The Bank of Montreal, for example, took over four Sovereign Bank offices, but merged the business of three with its own existing branches.[76] The expansion resumed in 1908 on a sounder basis, without the influence of the Sovereign Bank. Chartered banks continued to purchase some of the remaining private banks. By 1908, though, it appears that the financial community already considered private banking to be a thing of the past. When the Sterling Bank purchased the private bank at Uxbridge, the *Financial Post* noted that:

> The business of the private banking concern of Messrs. I.J. Gould & Bros. Uxbridge, has been taken over by the Sterling Bank. This is one of the few private institutions that have withstood the competition of the chartered banks and it speaks volumes for the sound judgement and conservatism of the veteran manager, Mr. I.J. Gould, that he has held the confidence of the entire community for a quarter of a century....His son will remain as manager of the Sterling branch.[77]

The number of private banks continued to decline, falling below the 40 mark at the end of 1914.[78]

c. Private Bankers Organize: The Canadian Private Bankers Association

It is not surprising that private bankers made no effort to organize themselves until relatively late in the life of the industry. These men, with few exceptions, were independent and often secretive, and oriented to the economic affairs in their own territories. They had made an effort at mounting an effort to prevent the regulation of private banks in the 1880s, but no effort to establish a private bankers' association took place until 1902. Chartered bankers had formed the Canadian Bankers Association more than a decade before, late in 1891, creating a formal organization out of an informal co-operative effort that began in 1888 to influence revision of the Bank Act in 1890.[79]

Thomas H. Cook, a private banker in Sarnia, led the effort to organize private bankers early in 1902. Cook had entered the banking business 10 years before, when he purchased the existing bank of Michael Fleming in Sarnia.[80] Cook issued an invitation to all private bankers to meet at Toronto City Hall on March 31, 1902.[81] He attracted 22 bankers to the meeting, plus letters of support from many others. It is curious that the bankers present decided to form a national, rather than a provincial association. At the time more than 75% of Canada's private banks were in Ontario, and there had been, up to this time, virtually no contact between Ontario's bankers and their counterparts in other provinces. Prior to the meeting, Cook had secured commitments from several out-of-province bankers to serve as vice presidents of the planned association, but none were present at the meeting. All other executive positions were filled by Ontario private bankers, with Cook as president.

The bankers present, who represented about 15% of the industry in Ontario, enthusiastically supported the creation of the Canadian Private Bankers Association, "To protect the interests of private bankers."[82] They selected a committee to draft bylaws and made plans to publish a quarterly journal. The group was to meet again at the call of the president, but there seems to be no record of a further meeting.

Accounts of the organizing meeting list 23 private bankers. None of the largest firms were represented, even those who had once had a high profile in the industry, such as Loftus Cuddy of Amherstberg, J.H. Fairbank of Petrolia, J.W. Scott of Listowel, J.A. Halsted of Mount Forest, or Louis Smith of Forest. The wealthiest and best known of those present was J.C. McKeggie; he had once operated a half dozen branches, but in 1902 he had offices only in Elmvale and Fenelon Falls, and a partnership with J.L. Ross in Coldwater. Ross was also present at the meeting. With a rating in the $50-75,000 range, McKeggie ranked about 14th among Ontario private bankers. Nine of the 23 bankers present represented firms with a net worth of less than $10,000, or whose financial status was unrated.[83]

The Canadian Private Bankers Association was formed just as the branch expansion boom, led by the Sovereign Bank, was commencing. Those present at the meeting might be presumed to have strong commitments to the principle of private banking, but they too succumbed to takeover bids. Two of those represented sold their banks within months of the organizing meeting: R.and J. Fox of Lucan and T.L. Rogers of Parkhill. Parker Brothers of Stirling would follow in 1903; the Fox brothers and the Parker brothers had the second and fourth highest financial ratings of those present at the organizing meeting. Gabriel Somers of Beeton soon helped organize the Sterling Bank, becoming its first and only president,[84] and Col. James Munro of Embro, vice president of the association, soon became heavily immersed in the ill-fated Farmers Bank.[85]

d. The Holdouts: Ontario's Last Private Bankers

Thomas Cook's inability to sustain an organization of Canada's, or even Ontario's, private bankers in 1902 is an obvious indication that the private banking industry was no longer a vital one, notwithstanding the fact that private banks, in aggregate, controlled assets that equalled those of some of the medium-sized chartered banks.

At a conservative estimate, the private bankers of Ontario in 1902 rated an aggregate net worth of about $3,275,000.[86] The Toronto *Globe* noted that private banks represented "many millions of capital, much more than is involved in any other unauthorized business in Canada."[87] By way of comparison, the equivalent figure for the chartered banks would be the combined total of their paid-up capital and reserves.[88] In March 1902 this figure, for Ontario-based chartered banks, stood at $37,188,000,[89] or 11.4 times the capital involved in private banking. For the Ontario and Quebec-based chartered banks, the combined total of capital and reserves totalled $90,218,000. This would place the Ontario private banking industry as the equivalent of the fifth largest chartered bank in the province, behind the Bank of Commerce, the Bank of Toronto, the Dominion Bank, and the Imperial Bank, and approximately equal to the Bank of Hamilton. Nationally, the Ontario private banks would rank eleventh out of the 35 chartered banks in business in Canada in 1902. In terms of number of offices, Ontario's private banks far exceeded the branch system of any chartered bank in Canada.

While still occupying a significant place in the province's banking system, private bankers had suffered a substantial decline over the ten year period before 1902. The figures for March 1892 show the combined capital and reserves of the Ontario chartered banks at $24,253,000,[90] 6.6 times the combined net worth of private bankers at $3,690,000.[91] The aggregate total for Ontario and Quebec-based chartered banks was $71,662,000 in 1892. Comparing the 10-year performances, there was a 53,3% increase for the Ontario-based chartered banks, a 25.9% increase for the Quebec-based chartered banks, and a 10.8% decline for Ontario private banks. Private banks in 1892 were the equivalent of the second largest Ontario-based bank, ranking behind the Bank of Commerce and ahead of the Bank of Toronto. In the national, context, Ontario's private banks were the equivalent of the sixth largest bank, eclipsed by the Bank of Montreal, the Merchants Bank, and the Bank of British North America. Nationally

From the above comparisons, it is clear that private banking could not be considered a growth industry in 1902. Another comparison supports this contention. Altogether, 47 private banks were in business in both 1892 and 1902. Of these, only 16 increased their financial standing over the ten year period. Thirteen declined in standing, and 18 remained the same, notwithstanding significant inflation in the late 1890s, which contemporary sources put at 33% between 1897 and 1901.[92]

Perhaps prematurely, the Canadian Bankers' Association announced the death of private banking in January 1903, just as the wave of private bank takeovers was commencing:

> On both sides of the Atlantic ocean the constantly recurring failures of private banks illustrate the changing condition of financial affairs. The day of control by some one individual of the monetary resources of his neighbours has passed, or is passing away, and the tendency of the times is in the direction of the formation of powerful joint stock companies capable of transacting business on the largest scale....In the place of the old family private banks we have the mammoth financial corporations....[93]

In one sense, the Bankers' Association was correct. Private banking required a steady stream of new entrants to take the place of those firms that had closed, failed, or been sold. After 1903 few small-town capitalists showed an interest in banking, and the dozen or so who did enter the industry did so at the periphery: most were also insurance or mortgage brokers, not full-fledged bankers.

For example, the firm of Mitton and McLean opened a bank in Dutton in 1908, after James Poole had sold the existing private bank there to Molson's Bank. Beginning in July 1912, Mitton and McLean ceased advertising as bankers, instead calling themselves insurance and real estate agents.[94] Richard Sturtridge of Sutton West begins appearing on listings of private banks in 1906, but there is no evidence that he conducted a true bank, with chequing or savings accounts. He was still calling himself a banker as late as 1929, though his business was restricted to "loans, mortgages, farm sale notes, bonds, insurance and collections."[95] The business of G.L. Allen of Mount Forest seems to have followed similar lines. He appears on several lists as a private banker, but his newspaper ads indicated that he sold insurance and real estate.[96]

Several of the late entrants into private banking were short lived. George Smith and Co. of Sombra opened about 1902. In 1906 Smith sold his business to the Sterling Bank, remaining as manager until at least 1910.[97] G. N. Brown of Arkona may have been the last private banker to come from the chartered system. He opened his bank after leaving the managership of the Standard Bank's Arkona office.[98]

None of the new entrants to private banking after 1902 built up a significant banking business, or achieved even a middle ranking among bankers by the Dun and Wiman agency. That there was no longer a growth potential to private banking was recognized by George Hague, the retired general manager of the Merchants Bank, when he noted the disappearance of private banking in his *Banking and Commerce,* published in 1908. Hague observed that "private banking was once important in Canada," but was disappearing due to growth in the economy and the larger volume and scale of business, changes which favoured the chartered banks. In Hague's view, chartered banks were better able to meet the needs of new industrial enterprises, and merchants favoured the greater efficiency of the chartered banks' payment system. Even so, Hague acknowledged that "a private bank could still prosper if its partners are known to have undoubted means, and have so conducted the business as to gain and keep the confidence of the community."[99] Hague's analysis suggests that, at the time he wrote in 1908, existing private banks might be able to continue in business, but it offers no place for new entrants into the industry.

Internal evidence from some private banks indicates that their profitability declined significantly in the early years of the century. The average loan interest earned by J.M. Walton of Aurora, for example, declined from 11.3% in 1901 to 7.7% in 1906.[100] With returns at this level, private bankers had difficulty maintaining an adequate margin between their loans and their sources of external money: deposits of the public and loans from chartered banks. Only private bankers with a high level of equity in their bank could operate successfully in this climate, and even the majority of these chose to sell their banks, apparently perceiving that they could find better returns in investments outside private banking. Twelve of the 18 private banks with rated financial strengths in the $50-75,000 category or greater sold out between 1902 and 1909.

Although their ranks had become decimated by 1908, there remained a few private banks with substantial business volumes in particular communities: Vaughn and Fairbank in Petrolia, J.M. Walton in Aurora, J.C. Dale in Madoc, and McTaggart Bros. in Clinton, for example, all of which maintained a significant share of business against the competition of a chartered bank branch. These firms, though, must be considered as anomalies at this time. Their existence seems to be attributable in large part to the reputations of their aging proprietors.

Individual private banks showed an amazing resilience in the business climate of the period after 1910. At the time of its failure in 1914, J.C. Dale and Co. held deposits on their books of more than $471,000.[101] The average deposit total at this time held at chartered bank offices was in the range of $400,000.[102] When consideration is given to the large deposits held in large city offices, the average for small town offices would be considerably below this figure. Dale's deposit total was probably an exceptional one for private Banks: J.M. Walton's total rarely surpassed $50,000, and the total at Vaughn and Fairbank in Petrolia ranged between $40,000 and $50,000 in the immediate pre-World War I period.[103]

In general, the last of Ontario's private banks carried on until the death or retirement of their proprietors. Family members, even those who were associated with the bank, rarely showed an inclination to carry on. In other cases, where the bank had been carried on as a partnership, the firm continued as a sole proprietorship when one of the partners retired. A decade before, a new partner would be brought in. For these firms, the retirement of one partner reduced the capital of the firm. This is further evidence of a decline in business for these bankers, or at least an acknowledgement that they anticipated no great increase in business. There are several examples of this situation. In Blyth, the firm of McMurchie and Rance dissolved in 1902, and H.T. Rance accepted the position of manager at the new Sovereign Bank branch in nearby Clinton.[104] James McMurchie carried on the private banking business on his own until at least 1917, though in later years he seems to have been more an insurance agent than a banker.[105] At Glencoe, the private bank of Harrison and Rathburn dissolved on the death of George M. Harrison in 1902. Isaac Rathburn continued the business until his own death in 1910, at the age of 75.[106] At Orangeville, F.A. Lewis continued the firm of Lewis, Waugh and Co. after 1902.[107]

Increasingly, private banking consisted of a small group of aging entrepreneurs, who carried on their businesses until they died or decided to pursue some other activity in their retirement. For example, J.M. Walton sold out to the Imperial Bank in 1917, and then devoted his time to local politics, private investments, and a lending business. The Merchants Bank purchased the bank of William Lucas and Co. of Markdale in 1918 following the death of the proprietor at the age of 70, and shortly afterward appointed his son as manager.[108] Up to the time of the sale, Markdale had been the last town in the province with competitive private banks. The other bankers in town, McCullough and Young, sold to the Bank of Toronto at the end of 1918. The *Markdale Standard* commented that:

> ....the firm has seen fit to turn it over, advantageously no doubt, to the Bank of Toronto, with Mr. Young as manager...the firm has helped struggling men over the years, and very many sincerely regret to lose it, but will be pleased to have Mr. Young remain as manager of this popular institution.[109]

The same paper had employed a similar tone nine months previously when it reported the death of William Lucas, who had "the universal reputation of being a wise, shrewd, capable, and obliging banker....untiring in his aim for the good of the community."[110] These sentiments confirm George Hague's opinion that a private banker could continue to prosper if he had the confidence of the community.

Another aging banker to retire was C.S. Killmaster of Port Rowan, who sold out to the Sterling Bank in 1919 after 41 years as a private banker. His son, who had been a partner, continued as manager.[111] Vaughn and Fairbank of Petrolia continued for 10 years following the death of J.H. Fairbank in 1914, under the direction of Dr. C. O. Fairbank, son of the founder, who closed the bank in 1924, the year before his own death.[112] At the time of its closure the bank had been virtually wound down: it had less than $1,000 in loans.[113]

It is not entirely clear who had the honour of being the last private banker in Ontario. One candidate is M.D. McTaggart of Clinton. He sold out to the Bank of Montreal in January 1932, about six months before his death.[114] At the time of the sale , this was still a full-service private bank, and it may have been the last sale of a private bank in the province. At Shelburne, Charles Mason and Co. advertised as "bankers and financial agents" until at least 1931. Mason's advertisements offered loans, note discounting and remittance services, but he did not solicit deposits or offer chequing services, and had not done so since before 1913.[115] This was a continuation of a partnership, Mason, Miller and Co., which sold its banking business to the Bank of Toronto in 1906. The Bank of Toronto had appointed J.F. Miller as its manager, while Charles Mason started a new business.[116] The *Dun and Wiman Mercantile Reference Books* list Mason and Co. as a private bank in 1914, but not afterwards. It therefore may not be proper to consider this firm as a true private bank after its first few years.

The firm of Graham and Knight in Alliston may have been the last private banking business in the province. Established in 1898, this partnership continued a business founded in 1888 as Burk and Graham. C.R. Graham acted as manager from 1898; J.A. Graham seems to have been a passive partner. Graham and Knight were still advertising as bankers in 1929, advising that "A general banking business transacted. Money loaned to responsible parties. Four per cent interest allowed on deposits. Mortgages bought."[117] The firm was still advertising in 1937 with C.R. Knight as manager, offering loans and soliciting deposits, though it was no longer calling itself a bank.[118] Nevertheless, this was probably Ontario's last small-town private bank.

The few private bankers to survive into the World War I era and afterward must be considered as curiosities, rather than significant financial institutions. They existed simply because their proprietors, who had started them in the era when private banking was still significant, had not retired.

REFERENCES FOR CHAPTER VII

[1]Totals were compiled from the lists of bankers in the Dun and Wiman *Mercantile Reference Books* for March of each year from 1892 to 1899. The totals quoted exclude Toronto and two building societies in Hamilton listed as private bankers.

[2]*Wingham Times,* 19 Feb. 1897.

[3]Norman Robertson, *The History of the County of Bruce,* p. 340. See also Ken Palmer, "The Private Bankers of Bruce County," B*ruce County Historical Society Yearbook, 1990* (Port Elgin, 1990).

[4]*Wingham Times,* 22 Jan. 1897; *Monetary Times,* 1 Jan. 1897.

[5]With his brother, F.X. Messner built convents in Formosa and Walkerton, and expended much effort in promoting Catholic schools in Bruce County. See Norman Robertson, *History of Bruce County,* p. 340.

[6]*Wingham Times,* 22 Jan. 1897.

[7]*Fergus News Record,* 21 May 1903.

[8]*Wingham Times,* 19 Feb. 1897; *Monetary Times,* 1 Jan. 1897. See also Norman Robertson, *The History of the County of Bruce,* p. 140; and Ken Palmer, "The Private Bankers of Bruce County," , p. 64. Robertson gives the date of the failure incorrectly as 1898.

[9]Charles Schurter owned a flour mill and store, Andrew Giessler owned the Carrick Woolen Mills, and Jonas Hergott operated the local foundry. *Monetary Times,* 19 Feb. 1897.

[10]*Wingham Times,* 19 Feb.; 5 Mar. 1897.

[11]*Monetary Times,* 7 May 1897.

[12]Ken Palmer, "The Private Bankers of Bruce County," , p. 64.

[13]*Mildmay Gazette,* 1 Sept.; 15 Sept. 1898. Initially this was a sub-branch to Walkerton, open only on Tuesdays and Saturdays.

[14]Details of Graham's failure are found in the *Port Elgin Times,* 11 Mar. 1897; *Lucknow Sentinel,* 12 Mar. 1897; *Monetary Times,* 5 Mar. 1897.

[15]*Lucknow Sentinel,* 12 Mar. 1897.

[16]*Wingham Times,* 13 Aug. 1897.

[17]William Cochrane, *Men of Canada* (Brantford, 1891), p. 355.

[18]Seaforth *Huron Expositor,* 27 Aug. 1897; *Monetary Times,* 27 Aug. 1897.

[19]*Monetary Times,* 27 Aug. 1897.

[20]*Guelph Weekly Mercury,* 12 Aug, 1897.

[21]Beattie Bank Papers, Wellington County Museum and Archives, Fergus Ont. Some of the notes bore the inscription, "Interest at 1% per month," equivalent to 13.2% per year.

[22]*Elora Express,* 8 Aug. 1897.

[23]*Fergus News Record,* 4 Feb. 1870. Beattie opened in the former Royal Canadian Bank office.

[24]*Port Hope Weekly Guide,* 21 Jan. 1898.

[25]*Port Hope Weekly Guide,* 1 Apr. 1898.

[26]The *Monetary Times* published a clarification of its 14 Jan. 1898 story concerning the death of Patterson in its 21 Jan. issue. The *Port Hope Weekly Guide* of 21 Jan. 1898 carefully explained that the Midland Trust and the Midland Loan and Savings Company had no connection, and urged other papers to copy the story to avoid further injury to the latter company.

[27]The winding up of the Midland Trust Company is covered in much detail in the *Port Hope Weekly Guide,* 14 Jan.; 4 Feb.; 25 Feb.; and 1 Apr. 1898.

[28]*Port Hope Weekly Guide,* 1 Apr. 1898.

[29]*Port Hope Weekly Guide,* 14 Jan. 1898.

[30]*Monetary Times,* 3 Apr. 1885.

[31]*Port Hope Guide,* 1 Apr. 1898.

[32]*Monetary Times,* 18 Mar. 1898.

[33]Clause Breede, "The Belcher Portrait," *Bruce County Historical Society Yearbook, 1985* (Port Elgin, 1985).

[34]*Monetary Times,* 27 May 1898.

[35] *Monetary Times,* 16 Aug. 1889; 17 June 1898.

[36] Details about this bank are found in the Chesterville *Record,* 22 June; 29 June; 13 July 1899.

[37] *Monetary Times,* 13 Nov. 1874.

[38] *Stratford Evening Herald,* 9 Sept. 1899.

[39] *Stratford Evening Herald,* 14 Sept. 1899. Details of the failure also appeared in the *Woodstock Sentinel Review,* which circulated in the area where many of Mowat's depositors resided.

[40] *Stratford Evening Herald,* 22 Sept. 1899.

[41] Figures compiled from *Dun and Wiman Mercantile Reference Book,* March 1892.

[42] Figures derived from the "Monthly Statement of Banks," published in *Monetary Times.*

[43] *Monetary Times,* 10 June 1898.

[44] *Monetary Times,* 11 Sept. 1891.

[45] Merrill Denison, *Canada's First Bank,* Vol. 2 (Toronto: McClelland and Stewart, 1967), p. 242.

[46] *Monetary Times,* 26 Oct., 21 Dec. 1888; 26 Apr., 31 May 1889.

[47] Statutes of Canada, 1890, c. 31.

[48] *Journal of the Canadian Bankers Association,* 13 (1905), p. 179.

[49] Statutes of Canada, 1890, c. 31; E.L. Stewart Patterson, *Banking Principles and Practice* (New York: Alexander Hamilton Institute, 1911), pp. 289-318.

[50] *Simcoe Argus,* 10 Apr. 1885.

[51] Advertisement, *Waterford Star,* 13 Nov. 1913.

[52] The firm of Hornibrook and Co. is listed for Beamsville from 1897 until 1901; in 1902 it appears at Caledonia. This office is listed in *Dun and Wiman,* but its financial strength is unrated. The firm of McMahon and Co. at Delhi appears in directories for 1898 and 1899.

[53]Canadian Bank of Commerce, *Annual Report,* 1896.

[54]Joseph Schull and J. Douglas Gibson, *The Scotiabank Story* (Toronto, McClelland and Stewart, 1982), p. 51. Fyshe's assumption of the top position at the Merchants Bank was a slow one. He joined the bank as assistant general manager, then became joint general manager with Hague before taking control himself. This procedure was probably a reflection of George Hague's cautious administrative style, and his insistence that a general manager of a bank had to be thoroughly familiar will all aspects of the operation.

[55]R.J. Graham, "More Ontario Private Banks,"*Transactions of the Canadian Numismatic History Society,* 26 (1990), p. 8.

[56]Directors Minutes, Merchants Bank.

[57]Victor Lawriston, *Lambton's Hundred Years, 1849-1949* (Sarnia: Haines, [1949]), p. 135; Norman Robertson, *History of the County of Bruce* (Toronto: William Briggs, 1906), p. 382; *Hanover Post,* 2 Feb. 1899; *Mildmay Gazette,* 1 Sept., 15 Sept. 1898; *Tara Leader,* 27 Sept. 1900; *Watford Guide Advocate,* 6 Jan. 1900.

[58]*Hanover Post,* 1 Sept., 15 Sept. 1898. This branch, a sub office to the Walkerton branch, was not opened until 20 months after the Carrick failure, and may indicate a difference of opinion between Hague and Fyshe. It was open only two days per week.

[59]A brief history of the Sovereign Bank is found in Robert MacIntosh, *Different Drummers* (Toronto: Macmillan, 1991), pp. 36-50. See also Nancy Whynot, "An Investigation into the Rise and Fall of the Sovereign Bank of Canada," Unpublished thesis, University of Guelph, 1979.

[60]*Markham Sun,* 8 Aug. 1902.

[61]*Aylmer Sun,* 27 Aug., 3 Sept. 1903; *Exeter Times,* 19 Oct. 1905. R.J. Graham, "More Ontario Private Banks," *Transactions of the Canadian Numismatic History Society,* 26 (1990), p. 8.

[62]*Watford Guide-Advocate,* 13 Jan. 1905; W.F. Johnson, *Arkona Through the Years* (Forest: J.B. Poole, 1976), p. 61; R.J. Graham, "More Ontario Private Banks,"*Transactions of the Canadian Numismatic History Society,* 26 (1990), p. 8-9; *Mount Forest Confederate,* 3 Mar. 1904; Norman Robertson, *The History of the County of Bruce.* (Toronto: William Briggs, 1906), p. 360.

[63]*Forest Free Press,* 9 Mar. 1905; *Owen Sound Sun,* 1 June 1906.

[64]*Stirling News-Argus,* 9 Apr. 1903. W.A. Parker, son of one of the founders of the firm, joined the Sovereign Bank staff.

[65]*Alvinston Free Press,* 13 Feb. 1901; *Lambton Legal and Municipal Directory, 1901.*

[66]Figures based on listings in *Dun and Wiman Mercantile Reference Book,* Mar. 1902; Mar. 1906.

[67]Dun and Wiman rated Stark and Barnes at a financial strength of $10-20,000, and Joseph Snell at $5,-10,000. Though he had operated a private bank for 15 years, Snell had been trained as a teacher, not a banker. See *Exeter Times,*19 Oct. 1905.

[68]*Exeter Times,*19 Oct. 1905; *Markham Sun,* 8 Aug. 1902; 19 Feb. 1903.

[69]*Owen Sound Sun,* 1 June 1906; *Durham Review,* 26 Dec. 1907.

[70]*Mount Forest Confederate,* 3 Mar. 1904; 5 Oct. 1911.

[71]Tom Naylor, *History of Canadian Business,* Vol. 1, p. 161.

[72]R.J. Graham, "Further Information on Some Private Banks Previously Listed," *Transactions of the Canadian Numismatic History Society,* 26 (1990), p. 10. The Dale failure is described in detail in Ch. VIII, *infra.*

[73]There is no history of the Ontario Bank. Its failure is summarized by Merrill Denison, *Canada's First Bank,* Vol. 2, pp. 279-280.

[74]See Georg Rich, "Canadian Banks, Gold, and the Crisis," *Explorations in Economic History* (April, 1989), 135-60.

[75]*Financial Post,* 28 Nov. 1908.

[76]Merrill Denison, *Canada's First Bank,* Vol. 2, pp. 280-1.

[77]*Financial Post,* 19 Dec. 1908.

[78]*Dun and Wiman Mercantile Reference Book,* Dec. 1914.

[79]Robert MacIntosh, *Different Drummers,* pp. 36-50

[80]*Sarnia Observer,* 5 Jan. 1894.

[81]Accounts of the meeting are found in the Toronto *Globe,* 1 Apr. 1902 and *Monetary Times,* 4 Apr. 1902.

[82]*Monetary Times,* 4 Apr. 1902.

[83]The list of those present was published in the *Monetary Times,* 4 Apr. 1902. Financial information comes from *Dun and Wiman Mercantile Reference Book,* March 1902.

[84]A history of the Sterling Bank, absorbed by the Standard Bank in 1924, is found in A. St. L. Trigge, *A History of the Canadian Bank of Commerce,* Vol. III (Toronto: Canadian Bank of Commerce, 1934).

[85]*Woodstock Sentinel-Review,* 1 May 1913.

[86]This is the total of the lower figures of the "financial strength" ratings in the *Dun and Wiman Mercantile Reference Book,* March 1902. Several private banks were unrated in this edition; no figures or estimates for these have been included.

[87]Toronto *Globe,* 1 Apr. 1902.

[88]There are obvious difficulties in comparing these sets of figures. Many private bankers had businesses outside their banking activities, the worth of which is included in their financial worth, and the aggregate total therefore includes funds not deployed in banking. For this reason, the lower figure for each financial rating category has been used. Nevertheless, in the case of a failure, creditors had a claim on all the assets of a private banker. In 1902 there were 10 chartered banks with Ontario head offices. The Montreal-based banks, of course, did a large volume of business in Ontario, and the Ontario-based banks deployed a significant portion of their assets outside the province. In the case of a chartered bank failure, the Bank Act provided for a double liability by shareholders. While providing only a crude comparison of the sizes of the chartered and private banking systems, and the capital supporting them, at a single point in time, these figures are of more value in demonstrating historical trends.

[89]"Statement of Banks for the month ending Mar. 31, 1902," *Monetary Times,* 25 Apr. 1902.

[90]"Statement of Banks for the month ending Mar. 31, 1903," *Monetary Times,* 22 Apr. 1892. The 1892 and 1902 figures are the aggregates of the same 10 banks: the Bank of Commerce, the Bank of Toronto, the Dominion Bank, the Imperial Bank, the Ontario Bank, the Traders Bank, the Standard Bank, the Bank of Hamilton, the Bank of Ottawa, and the Western Bank. Twelve banks were headquartered in Quebec at this time; three (Bank of Montreal, Merchants Bank, Molsons Bank) did large proportion of their business in Ontario, and three others (Bank of British North America, Quebec Bank, Union Bank) did some business in the province.

[91]*Dun and Wiman Mercantile Reference Book,* March 1892. Two large firms have been excluded from the 1892 total: Rathbun and Co. of Deseronto, whose banking activities at this time seem to have been a minor part of their industrial and timber-related businesses, and Stinson's Bank of Hamilton, which at this time was a savings bank only. Adding these two firms would raise the total by $1,750,000.

[92]This figure appeared in the *Monetary Times* of 22 Nov. 1901. It was based on a report and analysis that had appeared in *Dun's Review.*

[93]*Journal of the Canadian Bankers' Association,* 10 (Jan. 1903), p. 2.

[94]Dutton *Advance,* 26 Oct. 1905; 2 Apr. 1908; 18 July 1912.

[95]Letterhead, Richard T. Sturtridge, dated 21 Aug. 1929, collection of the author.

[96]See, for example, *Mount Forest Representative,* 28 Oct. 1915; 6 Apr. 1916; 4 Jan. 1917; 9 Jan. 1919; 25 Dec. 1919.

[97] A. St. L. Trigge, *A History of the Canadian Bank of Commerce,* Vol. III; *Ontario Directory, 1910.*

[98]See William Frederick Johnson, *Arkona Through the Years* (Forest, 1976); *Ontario Directory, 1910.* It appears that Brown left the chartered bank system when the Standard Bank's Arkona branch absorbed the Sovereign Bank branch in the same town. The Sovereign's manager (and a former private banker), Joseph Wilcox, was appointed the Standard Bank's manager.

[99]George Hague, *Banking and Commerce* (New York, 1908), pp. 15-16.

[100]For details on this bank see Chapter 8, *infra.*

[101]For details on this bank see Chapter 8, *infra,* particularly Figure 7.4.

[102]"Average Deposits per Bank Branch," *Monetary Times,* 18 May 1912.

[103]These figures are explained in more detail in Chapter 8, *infra.*

[104]*Monetary Times,* 26 Dec. 1902.

[105]*Ontario Directory, 1910.* McMurchie competed in Blyth with a branch of the Bank of Hamilton, which opened in 1899.

[106]*Glencoe Transcript,* 23 Oct. 1902; 3 Mar. 1910.

[107]*Dun and Wiman Mercantile Reference Book,* March 1902; March 1906.

[108]*Markdale Standard,* Apr., 11 Apr., 15 Aug. 1918. The career of William Lucas spanned almost the entire existence of Ontario private banking. He operated his bank for 38 years, and had been one of Thomas Fawcett's original proteges in the late 1870s.

[109]*Markdale Standard,* 12 Dec. 1918.

[110]*Markdale Standard,* 4 Apr. 1918.

[111]*Port Rowan News,* 27 July 1917; A. St. L. Trigge, *A History of the Canadian Bank of Commerce,* Vol. III, p. 380.

[112]Leonard Vaughn, the other partner, had died in 1887. Ken Palmer, "The Little Red Bank," *Transactions of the Canadian Numismatic Research Society,* 25 (1989), p.39; *Petrolia Topic,* 11 Feb. 1914; *Petrolia Advertiser,* 11 Feb. 1914; Edward C.H. Phelps, "John Henry Fairbank of Petrolia (1831-1914): A Canadian Entrepreneur," M.A. Thesis, University of Western Ontario, 1965.

[113]Financial details are given in Chapter 8, *infra.*

[114]*Clinton News Record,* 17 July 1932. The bank had been established in 1891 by G.D. McTaggart, and operated as McTaggart Brothers from 1905 until 1927.

[115]*Shelburne Economist,* 13 Nov. 1913; *Shelburne Free Press and Economist,* 26 Mar. 1931. See also John Rose, *History of Shelburne* (n.p., n.d.), p. 455; Stephen Sanden, *History of Dufferin County* (n.p., n.d.), p. 148.

[116]Shelburne *Economist,* 1 Mar. 1906. John Rose, *History of Shelburne* (n.p., n.d.), p. 455, incorrectly states that J.F. Miller started a new private bank after the sale of Miller, Mason and Co. John F. Miller had been the manager of J.A. Halsted's Shelburne branch when it opened in 1881. In 1885 he began a general store with Charles Mason. Miller established his own private bank about 1896, and Mason became a partner in the bank in 1904. Shelburne *Economist,* 10 June 1897; 3 Nov. 1904.

[117]*Alliston Herald,* 18 Apr. 1929.

[118]*Alliston Herald,* 18 Mar. 1937.

VIII. THREE PRIVATE BANKERS AND THEIR ECONOMIC ENVIRONMENTS

A major difficulty in analyzing the private banking industry is the lack of detailed financial information. Apart from the data in the *Dun and Wiman Reference Books,* there is no financial information of any sort for the majority of Ontario private bankers. Financial statements and figures were often published after the failure of a private bank, but this data may not reflect the position and business of the bank during normal times. Fairly complete sets of books have survived for only two private banks: J.M. Walton and Co. of Aurora and Vaughn and Fairbank of Petrolia. A partial set of books survives for J.C. Dale and Co. of Madoc.

None of these banks can be considered typical private banks. All three operated late in the history of private banking. J.M. Walton, in fact, was a late entry, buying out an existing private bank in 1900. Vaughn and Fairbank operated for 55 years, longer than most private banks. It is an example of a bank headed by the dominant entrepreneur of the community, but John H. Fairbank operated on a far larger scale than most bankers of this type. J.C. Dale of Madoc defied the trends of the private banking industry, growing and prospering until it collapsed in one of the last private bank failures in the province, precipitated by the unsuccessful speculations of its proprietor.

Because more is known about these three banks than any others, it is possible to examine their internal workings and their place in the economies of their respective communities. The banking businesses conducted by these three firms reflected the particular characteristics of the economies in their localities, and the entrepreneurial style of their proprietors. Because they operated late in the period of private banking, they also provide some insights into the relationships and competition with the expanding chartered bank branch system.

a. J.M. Walton and Co. of Aurora

Private banking came relatively late to Aurora, arriving with the opening of the J.L. Ross office in 1893. At this date the town had been served by a chartered bank for 18 years, beginning with a branch of the Federal Bank which opened in 1875.[1] On the liquidation of the Federal Bank, the Ontario Bank took over this office with a minimum of disruption.[2] The Ontario Bank soon moved into larger quarters, and operated successfully in Aurora until 1906, when the Bank of Montreal absorbed the Ontario Bank.

Aurora had enjoyed almost two decades of comparatively stable chartered banking service when J.C. McKeggie, one of the best known private bankers in the province, arrived in town in 1893 and rented the premises formerly used by the Federal Bank and the Ontario Bank.[3] McKeggie had started his career as a private banker in Barrie in 1879. The next year he opened a second office in Stayner, followed by branches in Creemore and Elmvale in 1889 and 1892. He set up the Aurora office as a partnership with J.L. Ross as the junior partner, and operated under the name of J.L. Ross and Co. A native of nearby King Township, where he had been involved in local politics, Ross was a well-known figure in the Aurora area.[4]

J.L. Ross and Co. continued in business for seven years. The firm maintained a correspondent relationship with the Bank of Toronto, and advertised regularly for farmers' business, and for short-term loans based on mortgage security.[5] J.L. Ross looked after credit approvals; Bert Lloyd managed the day-to-day routine of the office as accountant. The J.L. Ross bank appears to have been a modestly successful operation, with a deposit ledger in the $20,000 range and average loans of about

$25,000.[6]

In 1900 McKeggie and Ross sold the Aurora private bank to J.M. Walton, a prosperous resident of the hamlet of Kettleby, about six miles west of Aurora.[7] The reasons for the disposal of the bank in 1900 are not entirely clear. One factor may have been J.C. McKeggie's desire to consolidate and restructure his empire. He had closed his branch in Stayner in 1899 and opened another in the village of Coldwater in 1898. J.L. Ross left Aurora for Coldwater, where he took over management of McKeggie's bank there.

Jesse M. Walton, the new Aurora bank proprietor, had grown up in the Aurora area, and could trace his ancestors back to 1809, when his Quaker great-grandfather arrived in Whitechurch Township from Pennsylvania .[8]

J.M. Walton kept a diary, but he made no note of his reasons for entering the banking business. The first entry mentioning the bank came on 18 September 1900, when he visited the J.L. Ross office, discussed the office procedures with Bert Lloyd, and looked over the accounting system in use.[9] This inspection occurred three days before the public announcement of the change in ownership appeared in the *Aurora Banner*. The following day, Walton accompanied J.L. Ross to Toronto where they met with Duncan Coulson, General Manager of the Bank of Toronto, to arrange the details of Walton's working relationship with that bank. Walton soon had a line of credit arranged. He then met with J.C. McKeggie and Mr Flynn, manager of Coffee and Co., a grain firm which was an active buyer in the Aurora area. This had been the largest account at J.L. Ross and Co., and Flynn agreed to continue to deal with Walton. To conclude his trip to Toronto, Walton ordered the necessary supplies of rubber stamps and stationery to commence his career as a banker.

The official change of ownership from J.L. Ross and Co. to J.M. Walton and Co. occurred on 1 October 1900. The actual process of moving accounts from one set of books to the other took much longer. Ross received the payments on old loans, while Walton wrote the new advances and renewals. The transfer of deposits seems to have followed a similar procedure, and was not completed until October of 1901. By this time all the other aspects of the business had been transferred.

Though the bank operated as J.M. Walton and Co., no partner can be identified during 17 years that he operated the bank. Walton's own investment in the bank began modestly: he put only $4,500 of capital into it over the first year. In the three succeeding years he added another $13,500 of capital, probably as it became available as he divested from other business ventures. By 1914 his own capital in the bank totalled $29,500. In addition, he normally transferred the profits to the capital account rather than draw dividends.

Walton employed the line of credit with the Bank of Toronto extensively during the first year, before he had transferred the deposit accounts from Ross. His short-term borrowings peaked at $22,500 in August 1901. Subsequently, he employed the line of credit much less extensively. Over the following 10 years, the total reached $12,000 only once and $10,000 twice. For periods of a year and more, Walton borrowed nothing.

The connection with the Bank of Toronto also provided Walton with access to the cheque clearing system operated by the chartered banks, an indispensable resource as cheques became the dominant form of funds transfer. The clearing house system directed all cheques written by Walton's customers to the Bank of Toronto, which debited them to the account Walton kept there. Walton received these cheques from the Bank of Toronto and in turn debited his customers' accounts. On the other side of the ledger, Walton credited all out-of-town cheques deposited by his customers to his account at the Bank of Toronto. The debits and credits never balanced, of course, and settlement had to be made periodically for the difference.

Clearings with the Bank of Toronto were very small in the first year, amounting to credit totals of only $7,100 and debits of $6,650. In 1904 these totals soared to $185,000 and $186,000. Walton and the Bank of Toronto settled the clearings account weekly beginning late in 1901. For U.S. dollar transactions, Walton maintained a direct correspondent relationship, working on the same principle, with the Riverside Bank in New York beginning in 1904, but only a small volume of business passed through this account. On average, annual volumes of American business amounted to about $8,000 annually.

In his own bookkeeping system, Walton used only one deposit ledger, styled 'current account,' which included both interest-bearing and non-interest-bearing accounts. The number of accounts always remained small by modern standards. There were about 125 opened in the first year, and 308 accounts on the books when Walton sold the business in 1917. Walton never advertised high rates of interest, nor offered term deposits or deposit receipts. In truth, he had no need to. His own capital plus the deposit money he did secure proved sufficient most of the time to support the loans on the books. When he needed more funds, he could rely on his line of credit with the Bank of Toronto. This was a sound policy, in that it avoided high-cost deposits on the books. An excess of deposit money would have forced Walton to invest in term deposits, or alternately, to employ it in the lending business. Walton avoided the temptation of some private bankers to grant risky loans in order to employ idle capital and meet high interest costs on deposits. As well, offering high deposit interest would have triggered a suicidal rate war with the local branch of the Ontario Bank, which, in the end, would have benefitted neither bank.

From an initial level of about $20,000, the deposits at Walton's Bank passed the $30,000 point in 1906 and $40,000 in 1909, reaching a peak of $64,200 in November 1913. Mild seasonal fluctuations in the deposit total reflected the agrarian orientation of Walton's banking business. Beginning in late fall, deposits tended to rise, reaching a peak in March or April. The rising deposit totals resulted from the sale of produce and livestock by farmers. Deposit totals declined when the crops were planted. This pattern did not appear clearly every year, and the seasonal fluctuations were not large most years.

Interest costs on the deposits varied, depending on the proportion of money in non-interest current accounts and savings accounts. Costs peaked in 1905 and 1906, averaging 2.9% in those years. Over a longer period, from 1901 to 1912, interest costs averaged 2%, and ranged between 1.7% and 2.2%.

The major account at J.M. Walton and Co. was that of Coffee and Co., grain buyers. Coffee was not a borrowing customer; rather, he used his account at Walton's Bank to make payments to Aurora area farmers. The account balance varied in the $200 to $2,000 range, with an annual cash flow in excess of $20,000. Cheques to farmers ranged from $15 to over $400. As well, Walton handled the collection business of the Bell Telephone Co., receiving payments from subscribers and remitting the balance monthly. The Coffee and Bell accounts generated significant revenue in fees and service charges. Commissions from the York Mutual Insurance Co. and Canada Permanent further enhanced the income of the bank. Walton served as the Aurora agent for both companies.

J.M. Walton's lending business depended on the agricultural community. He had a few borrowing accounts in the town of Aurora, including merchants and tradesmen, but he carried no significant industrial accounts. Aurora's largest firm, the Fleury Plow Co., never dealt with him.[10] As with his deposit ledger, Walton used only one account for loans. Therefore, collections on local merchants, short- term notes for contractors, and agricultural loans based on mortgage security were all grouped together. Walton took mortgage security for most of his farm loans, even those for six

Figure 8.1

J.M. Walton and Co.
Balance Sheet as at October 31, Selected Years
(to nearest $50)

	1902	1906	1911	1916
Liabilities:				
Deposits	$20,700	$30,400	$50,050	$47,500
Due to Bank of Toronto	5,000		12,400	3,050
Capital	11,000	29,000	53,000	85,000
Profit and loss	600	3,400	850	1,200
Misc.	900	1,600		200
	$38,200	$64,400	$116,300	$136,950
Assets:				
Loans	$28,200	$57,150	$68,400	$27,750
Mortgages and bonds			41,350	104,000
Due from Bank of Toronto	3,600	3,950	850	
Cash	5,500	2,850	5,500	4,250
Misc.	900	450	200	950
	$38,200	$64,400	$116,300	$136,950

[Source: J.M. Walton Papers, Aurora Museum.]

months or less. This security was forbidden to the chartered banks by the Bank Act, and may account for Walton's success in building a strong farm-based discount ledger. Mortgage-based loans typically ranged from $500 to $2,000, with the largest at $5,000. He also granted short-term loans for small amounts, often with no security. These averaged about $125 and earned higher interest than the mortgaged-based loans.

Loan totals averaged $26,200 in the first year of Walton's ownership, rising to about $59,000 in 1906 and $64,000 in 1911. Over time the return on the loan portfolio declined. In 1901 Walton averaged a return of 11.3% on his loans; by 1906 this had declined to 8.5%, and by 1911 to 7.7%. A combination of competitive pressures and a reduction over time in the proportion of small, unsecured high-interest loans accounted for the decline in loan income.

As with deposits, a seasonal pattern existed in lending, with totals lowest in January and February, and highest in September and October of most years. The cycle lagged behind that of the deposits by five or six months. Consequently, Walton's borrowing from the Bank of Toronto normally peaked during the summer months. Loans to merchants buffered somewhat the fluctuations resulting from the agricultural cycle. In 1902, for example, loan totals ranged from $25,300 in January to a peak of $33,200 in September; in 1911 from $58,800 in February to a peak of $68,400 in October. There were exceptions: in 1910 the peak occurred in March, and the highest loan total ever reached at the bank, $77,300, occurred in July of 1907.

J.M. Walton was disinclined to allow overdrafts, preferring signed promissory notes for all advances. Normally, only his own personal current account remained in overdraft for any length of time.

Over the years Walton's Bank enjoyed an excellent loss record. Altogether, he wrote off $10,719 in uncollectible accounts during the 17 year life of the bank, and of this total, he eventually recovered $859. The largest loss occurred in one account of

$3,700 in 1907. Unsecured, high-interest loans for small amounts accounted for most of the losses.

The Walton account offered no problems for the Bank of Toronto, and J.M. Walton enjoyed excellent relations with his chartered bank correspondent. In the years after 1900 the Bank of Toronto attempted to build its branch network, which lagged somewhat behind those of its rivals. The greatest difficulty facing its General Manager, Duncan Coulson, was the shortage of good men to place in the field as managers.[11] When the Ontario Bank failed in 1906, Coulson decided to move into the Aurora area. He summoned J.M. Walton to his office, and offered him a startling proposition. For a salary of $500 per year, plus expenses, he would authorize Walton to act as the agent of the Bank of Toronto in the area north of Toronto, setting up branches where he deemed these might be successful. Coulson wanted Walton to begin with a branch in Aurora. After conferring with two colleagues in the private banking business, J.L. Ross and J.C. McKeggie, Walton accepted the proposition.

"I am to retain my own office as at present without any connections or interference," Walton noted in his diary on 13 October 1906. Two days later, Walton had located quarters for the Bank of Toronto in Aurora, in a vacant commercial property he himself owned. He identified the establishment with a temporary sign in the window, scrawled on cardboard: "Bank of Toronto." On October 17 the new manager, C.H. Taylor, arrived in Aurora from Petrolia.

Walton soon found another suitable location in nearby Newmarket, where he rented a room in the Central Hotel for a Bank of Toronto office. An Ontario Bank branch had operated in this town until about 1900. Walton set up a third Bank of Toronto branch in Bradford some time later. That town already had a branch of the Standard Bank.

Duncan Coulson's decision to make an agreement with Walton which allowed him to act as a roving manager for the Bank of Toronto while operating his own bank in opposition to it indicates that Coulson wished desperately to establish a presence for the Bank of Toronto in northern York County, and that he saw no difficulty in chartered and private banks operating in the same communities.

In July of 1907, Walton was summoned back to Coulson's office, where the general manager spoke of his disappointment at the results in Bradford and Newmarket. Lending portfolios remained small and each of the branches had only about $25,000 on deposit. Coulson considered $30,000 of deposits to be the break-even point for a branch. Results from the Aurora branch, though better, continued to disappoint head office, resulting in Coulson's decision to close the Aurora branch early in 1909. At the time it was reported that the Bank of Montreal (successor to Aurora's Ontario Bank branch) and the Bank of Toronto agreed on a saw-off in Aurora and Millbrook, towns where the two banks competed. For its part, the Bank of Montreal closed its Millbrook branch.[12] Walton made only a terse note of the event in his diary: "Bank of Toronto closed its Aurora branch today finding business unprofitable." After the branch closed, Walton moved his private bank into the vacated premises, which he still owned, and which had been fitted up by the Bank of Toronto to a higher standard than his current office.[13] As owner of the building, he also saved rent expenses.

The effect of the short-lived Aurora branch of the Bank of Toronto on the Bank of Montreal (former Ontario Bank) branch is not known, but it does appear that it ate into the business of J.M. Walton and Co. during its 29 month lifetime. During the first year of the Bank of Toronto branch, Walton's loans rose by 8%, then fell by almost 5% in the second year. The figures for deposits showed a 12.8% increase the first year and an 11.6% decline the second year. In the year following the closure of the Bank of Toronto, Walton's loans increased by 16.6% and his deposits by 29%.

Figure 8.2

J.M. Walton and Co.
Fluctuations in Balance Sheet, 1908

End of February, May, August, November
(to nearest $50)

	Feb.	May	Aug.	Nov.
Liabilities:				
Deposits	$39,300	$34,950	$36,250	$36,900
Due to Bank of Toronto	200	300		
Capital	31,000	40,000	40,000	45,000
Profit and loss	1,000	900	900	2,550
Misc.	5,750	5,400	5,700	1,000
	$77,250	$81,550	$82,850	$85,450
Assets:				
Loans	$65,700	$70,800	$73,650	$71,200
Mortgages and bonds				
Due from Bank of Toronto	50	650	1,300	4,550
Cash	4,250	6,050	4,550	7,200
Misc.	7,250	4,050	3,350	2,500
	$77,250	$81,550	$82,850	$85,450

[Source: J.M. Walton Papers, Aurora Museum.]

The life of the Walton Bank can be conveniently divided into three phases. The first covers the years from 1900 to 1910, when the business operated as a basic full-service bank. In 1910 J.M. Walton began moving some of his capital into long-term mortgages and bonds. The loan portfolio reached a peak of over $70,000 in 1907 and 1908, then began a steady decline, with the exception of a second peak in 1911. Walton offered no reasons for the switch to lower yield, low risk assets, but it appears that his deposits and capital exceeded the demand locally for low-risk business loans. The increase in mortgage lending might also indicate a quickening of activity in Aurora's real estate market. Mortgages and bonds soon came to dominate the assets of the bank. The total of these rose from $4,800 at the end of 1909 to $60,200 at the end of 1912, when they equalled the loan total. By 1916 Walton had over $100,000 of mortgages and bonds on his books, or about three times the amount of loans.

In March of 1917 J.M. Walton reached an agreement with the Imperial Bank for the purchase of his banking business, after having received, he claimed, many offers over the years from various chartered banks. In an interview, Walton told the *Aurora Banner* "business had been growing steadily despite increasing competition in recent years."[14] In fact, the banking part of the business had reached its peak in the years between 1908 and 1911. At the time of the sale the loans on the books were only about 40% of what they had been in the best years. Deposits had declined as well, but only by about 20%.

The mechanics of the takeover of by the Imperial Bank were arranged in a manner that differed slightly from Walton's takeover of J.L. Ross and Co. in 1900. Walton paid the Imperial Bank for the deposits, totalling $59,295, by giving cash and cheques for $18,295 and a demand note for $30,000. The Imperial Bank allowed $11,000 for the bank building and goodwill, a substantial sum considering the size of the building. Even though Walton's bank was a declining business, the Imperial Bank still considered it a valuable property. The Imperial Bank entered new loans and renewals on its ledgers, while payments on the old ones were credited to Walton. The Imperial Bank thus was spared the problems of collecting any of Walton's loans that might turn out bad. Walton's accountant, Robert Reynolds, came with the deal, staying on in his old position and helping to build local confidence in the Imperial Bank and its manager.

During the 17 years that Walton operated his bank, he employed only one full time man, Robert Reynolds, though occasionally some casual help would be hired for a few days at the ends of half-years. The salary of the accountant/teller rose from $680 in 1901 to $1,000 after 1910. Other expenses rose with time as well: telephone costs rose from $36 in 1903 to $76 in 1909, then declined to $32 in 1915; postage rose from $82 to $142 over the same span of years. In total, the costs of operating the office escalated from about $2,000 annually in 1902 to about $3,000 at the end of the decade. After the mortgage and bond portfolio became important, there were additional legal and brokerage costs.

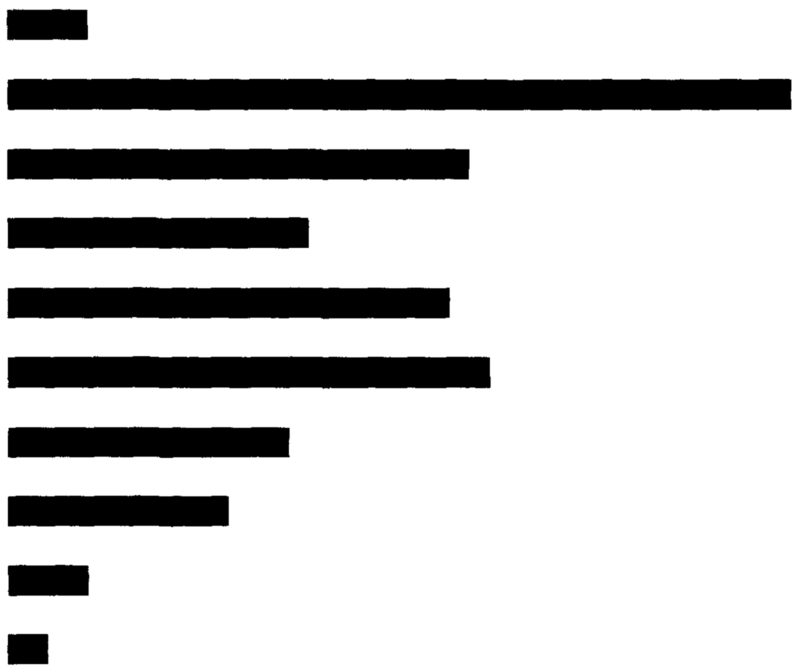
Overall, J.M. Walton found banking profitable, earning a return on capital, before writeoffs for losses, in excess of 12% in most years, and averaging 11.5% after losses, over his 17 years in the banking business. Walton seems to have relied on investments outside the bank for his personal income. He drew neither salary nor dividends, and over the 17 years was able to augment the capital of the bank by $60,850 from earnings. The capital of the bank stood at $85,000 at the time of the sale. This sum was not involved in the sale of the banking business to the Imperial Bank, and it does not appear that Walton ever held any Imperial Bank stock.

J.M. Walton and Co. did not disappear with the sale of the banking business; rather, the firm entered its third phase. The *Banner* noted that "in addition to banking,

Figure 8.3

J.M. Walton and Co.
Current Accounts by Balance
31 March 1917

balance	number of accounts
Overdrafts	8
< $10	77
$10 to $24	45
$25 to $49	30
$50 to $99	43
$100 to $249	47
$250 to $499	27
$500 to $999	21
$1000 to $2000	8
> $2000	3
Total Accounts	308



[Source: J.M. Walton Papers, Aurora Museum.]

Walton & Co. have built up an extensive and increasing Investment and Land Mortgage business, with Insurance, Conveyancing and Estates Managements and other trusts." Based on these activities, the business continued to grow through the 1920s and 1930s. Notwithstanding the sale of the banking business, Walton continued to act as a money lender on much the same basis as before the sale. He held $25,700 of loans on his books in 1920 and $28,000 in 1929. The total declined steadily through the 1930s, to $1,287 in 1941, the last year for which figures survive. Walton was able to maintain this lending business in spite of the fact that, beginning in 1920, borrowers in Aurora enjoyed additional competition with the opening of a branch of the Sterling Bank, the third chartered bank office in the town.[15]

Walton's assets ballooned during the 1920s. He was able to build his capital to $156,000 by reinvesting earnings, and at one time held a portfolio of $280,000 in bonds, stocks and mortgages. He also became a heavy borrower. At times he owed his bankers and brokers over $100,000.

The bank of J.M. Walton and Co. ranks in the middle of Ontario's private banks in size. It was rather typical of them in the nature of its business, serving a number of local merchants and tradesmen, and with a strong orientation to the surrounding agricultural community. It was an atypical bank in that it began and thrived at time when the private banking business as a whole was in decline. Walton's success demonstrates that private banking, with careful management, continued to be viable and profitable long after 1900, even when a chartered bank already had a strong foothold in a town.

Like many private bankers, J.M. Walton participated in the social and public service activities of his community, and developed a strong interest in local history. An active member of the Liberal Party, he enjoyed a lengthy friendship with Sir William Mulock, who owned property near Aurora. Walton served as mayor of

Aurora from 1923 to 1928, and again in 1939 and 1940, and several times was an unsuccessful candidate for the provincial legislature.[16]

Jesse M. Walton died at his Aurora residence in 1945.

b. Banking in Madoc: J.C. Dale and Company

The village of Madoc, in the central part of Hastings County, established a private banking tradition in the late 1870s that was one of the strongest in the province. Madoc became the most important trading town in the area north of Belleville, but the nature of the local economic activity was such that chartered banks were unable to establish a presence until the 1900 era. The nineteenth century economy of Hastings County was based on a combination of mining, timber and agriculture. None of these sectors enjoyed sustained prosperity, and as a consequence, the county lagged behind other districts in the development of its banking services. Belleville, the county town, had chartered banking services beginning in 1843, but the hinterland to the north, with the exception of an unsuccessful Traders Bank branch in Madoc from 1887 to 1889, was not served by chartered bank branches until the end of the century.

A large portion of the northern part of Hastings County and the adjoining counties was ill-suited to agriculture, and the initial economic development revolved around the resource industries of timber and minerals. This activity was dominated and controlled almost exclusively by outside interests: lumber firms such as Gilmour and Rathbun, and Montreal capitalists. Montreal wholesale merchants and lumbermen expanded their activities into Hastings County through their connections with Belleville merchants. Investments constituted part of a general expansion of the business activities of Montreal capitalists in the 1820s and later.[17] Peter McGill, for example, owned the Marmora iron works between 1830 and 1849, and as president of the Bank of Montreal, from 1834 until 1860, was in a position to influence and direct the flow of Montreal capital into regions of Upper Canada such as Hastings County.[18] Due to the capital and administrative structure of this resource development, there was little need for local banking facilities of any kind in Hastings County outside the county town and port of Belleville.

No banking facilities existed in Hastings County outside Belleville until 1877, though by this time the population of the county, exclusive of Belleville, exceeded 30,000.[19] Obviously, the old credit and supply systems, tying hinterland storekeepers closely to their wholesale suppliers, persisted here longer than in most other localities in Ontario. As well, agricultural profitability in central and north Hastings had yet to reach a level requiring the services offered by banks.

The discovery of gold deposits in the Eldorado area, a few miles north of Madoc, initiated a frenzy that had the effect of democratizing the mining industry of Hastings County, and establishing Madoc as the second most important town in the county. A large and diverse range of prospectors, promoters and refiners moved into the Madoc area, representing local, Toronto and American capital. The gold rush established Madoc as an important market and supply town, greatly profiting the local merchants. Among these merchants were E.D. O'Flynn and John Dale. Both families eventually built successful private banking business on fortunes made as suppliers during the gold rush. It is likely that the gold rush profited Madoc's merchants to a greater extent than most of the miners, but gold mines did remain active for many years in the Madoc area, and remained important until after 1880.[20]

Madoc, in the central portion of Hastings County, owed its early existence to the mining industry. The area to the north and west of Madoc contained large quantities of iron ore and other mineral resources, in addition to gold, but efforts to exploit these enjoyed only sporadic success, due in large part to the late development of adequate transportation facilities in the area. The first railway in the region, the Grand Junction Railway, was completed from Belleville to Stirling in 1877, with a branch to Madoc and Eldorado two years later.[21] Prominent among the promoters of this railway was E.D. O'Flynn, who established Madoc's first private bank two years before the completion of the railway to Madoc.

The interior regions of eastern Ontario, of which northern Hastings County formed a part, did not interest the chartered banks until the early twentieth century. Prior to 1890, only two offices of chartered banks were opened in the expanse between Perth and Peterborough. Stirling, located on the Grand Junction Railway, secured a branch of the Standard Bank in 1880. The Traders Bank opened in Madoc in 1887, in opposition to O'Flynn's private bank, but closed two years later. Clearly, the chartered banks believed that they could not operate profitable branches in this region. The banking activity of two resource-based firms active in the eastern Ontario interior, Rathbun of Deseronto and Folger Brothers of Kingston, provided rudimentary banking service in this hinterland region in the 1880s. During the 1880s and 1890s, a string of private banking offices, all operated by local businessmen, provided the first full-service banking facilities service in Westport, Camden East, Yarker, Tweed, Stirling, Marmora, Madoc, Hastings and Norwood. A cluster of these offices operated in central Hastings County, and the largest and most successful of them were in Madoc.

Banking facilities in the village of Madoc began with the opening of the private bank of E.D. O'Flynn and Sons in 1877.[22] O'Flynn had been one of Madoc's pioneer merchants, arriving in Hastings County in 1850, when he established the retailing firm of O'Flynn and Jones.[23] O'Flynn's decision to enter banking was probably a combination of two factors: the need for banking facilities in the village, and the need to employ his surplus capital profitably when his retail business could not be expanded further.

E.D. O'Flynn and Sons enjoyed a monopoly on banking facilities in Madoc for a decade. Curiously, there had been no bank in the area during the Eldorado gold rush of the late 1860s, which took place northeast of the village. It is not unreasonable to assume that merchants such as O'Flynn had provided rudimentary banking functions to the large number of prospectors and labourers during the gold rush, providing short term credit and funds transfer services.

In 1887 the newly chartered Traders Bank opened a branch in Madoc.[24] The branch did not enjoy success, and at the beginning of 1889 rumours that the branch would soon close began to circulate. At the end of January, the manager, J.H. McClellan bailed out, moving a dozen miles east to Tweed where he established the Tweed Banking Co.[25] After repeated denials, the Traders Bank head office closed the Madoc branch on 15 July 1889.[26]

The closing of the Traders Bank presented a new business opportunity to James C. Dale, a member of another pioneer business family in Madoc. John Dale had established a hardware business in Madoc in 1854. In the 1880s he was also operating a clothing store.[27] By this time his son, James C. Dale, had joined the business. Like E.D. O'Flynn, Dale had profited as a supplier and outfitter during the gold rush years in north Hastings County. Also like the O'Flynns, the Dales had built their retailing businesses as far as was possible in Madoc. James C. Dale opened the doors of The Madoc Banking House on 12 May 1890, in the office formerly occupied by the Traders Bank.[28]

After a few years, the Madoc Banking House changed its name to J.C. Dale and Co. The firm enjoyed success where the Traders Bank had failed, due in part to lower overhead. The Traders Bank had employed a staff of three; Dale operated in the early years with only one employee in the bank. Despite the fact that he was competing with a well-established private bank, Dale soon built up a substantial banking business. From its founding, the Dale bank maintained a correspondent relationship with the Canadian Bank of Commerce,[29] which survived until its demise.

In establishing the bank, J.C. Dale tapped outside sources of capital. His firm had four minority shareholders. Three of them, J.A. Caskey, Duncan McBeath and Duncan McKenzie, possessed major business interests in Madoc and area. Dale provided 50% of the capital; the other four divided the remainder in varying proportions.[30]

The success of the Dale and O'Flynn private banks illustrates the maturation of the business elite in Madoc, which by 1890 was indisputably the second most important commercial centre in Hastings County, after Belleville. The failure of a chartered bank to compete successfully in the village demonstrates the confidence local depositors and borrowers had in their own business community. The two Madoc private banks established the village as a financial centre as well: both banks had customers in neighbouring villages such as Marmora, Ivanhoe and Eldorado, none of which had banking facilities at the time. The role of the railway must also be considered in the success of these banks. It fostered the emergence of hinterland commercial centres such as Madoc, and raised the net return to farmers on their produce through reduced transportation costs. The additional cash flow through the community boosted the retail sector of Madoc, and increased the deposit totals on the ledgers of the Dale and O'Flynn banks.

Several other private banks operated in Hastings County during the 1890s, but none achieved marked success, just as no other village successfully challenged Madoc's supremacy as the second most important town in the county. The Tweed Banking Co., for example, lasted only five months in 1889. It was a partnership of J.H. McClellan – who had resigned as manager of Madoc's Traders Bank branch –

and Dr. G.W. Faulkner, a physician and private banker from Stirling. Dr Faulkner had established a private bank in Stirling in 1882. At that time he was already a businessman and merchant, in addition to conducting his medical practice.[31] Other private bankers later operated in Frankford, Marmora, Stirling and Tweed; only those in Marmora and Tweed had the geographic position to challenge seriously the Madoc private banks. Neither ever succeeded in doing so.

J.C. Dale and Co. and E.D. O'Flynn and Sons competed head-to-head for the banking business of Madoc for 13 years. Both firms prospered during the 1890s. By 1899 O'Flynn claimed a paid up capital of $150,000 and $50,000 of reserves.[32] Unfortunately, no financial statements survive to verify these figures, though the claimed financial strength of $200,000 is consistent with the estimates published by Dun, Wiman and Co.

Following the closure of the Traders Bank branch in 1889, no chartered bank attempted another intrusion into Madoc until early in 1903, when the Dominion Bank opened in the town. With an eye to maintaining advertising revenue by offending no one, the *North Hastings Review* noted that,

> while both our Private Banks are first class institutions of their kind, yet a chartered bank is peculiarly adapted for certain lines of banking business, and hence much business will be attracted here from the surrounding country.[33]

Eleven months after opening in Madoc, the Dominion Bank purchased the private bank of E.D. O'Flynn and Sons. E.D. O'Flynn had been ill and inactive for several years, and the active management of the bank had been in the hands of his sons, F.W. and H.H. O'Flynn. The accounts of the O'Flynn bank and the Dominion branch were combined, and F.W. O'Flynn was made manager of the branch. It is apparent that the Dominion Bank had determined that the only way to establish a strong presence in the village was to take over one of the existing private banks. F.W. O'Flynn did not live up to the expectations of the Dominion Bank, and was replaced as manager after a few months.[34] His brother, H.H. O'Flynn, was also hired by the Dominion Bank, but he was transferred out of Madoc.[35]

J.C. Dale and Co. had no difficulty in competing with the Dominion Bank, particularly after F.W. O'Flynn had been unceremoniously removed as manager of its Madoc branch. Dale retained a large portion of the local banking business in the years after 1903. Of his account books, only the current account ledger and the collection register have survived, but these give a good indication of the type of business done by Dale.[36] He handled between 45 and 60 active current accounts, representing a large portion of the businessmen and merchants in the village and surrounding hamlets.

Unlike many other private bankers (such as J.M. Walton of Aurora) Dale permitted overdrafts on current accounts. Between 1907 and 1914 the overdraft total at the bank varied between $16,000 and $56,700, equal to the entire loan total at many smaller private banks. In addition, Dale provided the other normal banking services. He discounted notes for collection, made ordinary advances and loans, and held a large savings deposit ledger.

Cheese company accounts generated a lot of activity in the current account ledger. There were 11 of these on the books. The largest was Alexander's Cheese Factory, headed by James A. Caskey, one of the partners in J.C. Dale and Co. This account provided a cash flow of between $18,000 and $20,000 per year. Most of the cheese companies operated in a joint marketing pool. They deposited through the spring and summer as the cheese was sold, and made payments to farmers in the fall, based on average prices received for the cheese over the season. Balances in these accounts were subject to wide seasonal fluctuations. Between 1907 and 1910 the totals in the cheese company accounts varied between $44,000 and $61,000 in late summer. During the winter the totals were under $100. It is not clear from the surviving records how Dale employed these large seasonal balances, but they may have prompted Dale to become involved in activity on the stock and bond markets which ultimately led to his downfall. Some of the money certainly remained at the Dale bank in the savings accounts of farmers, but in the absence of the savings ledgers these amounts remain unknown.

Commercial cheese making in eastern Ontario began in Hastings, and by 1880 it was already the largest industry in the county, with 48 factories in operation.[37] Typically, these remained small enterprises, averaging only two employees as late as 1900.[38] Capital investment could be as low as $450.[39] The cheese factories interested private bankers such as Dale not so much as borrowing customers, but as accounts providing deposit balances and generating service charges. Businessmen such as James Caskey of Madoc owned some of the cheese factories; prominent dairy farmers or groups of farmers operated the remainder for their joint benefit. The cheese factories were dispersed throughout the agricultural townships, making Dale's private bank a convenient place to do business for those in the Madoc area. As well, many of the proprietors already banked at J.C. Dale and Co.

The other private banks in Hastings County also solicited cheese factory accounts. Murphy, Gordon, and Co., private bankers of Tweed, found themselves in a protracted lawsuit in 1895 and 1896 over the blurring of the distinctions between a cheese company account and the personal account of cheese company's president.[40] Plainly, the informal methods of some private bankers could have their hazards.

J.C. Dale and his son held the active management of the bank in their hands, the minor partners acting largely as silent investors. Their accountant, McBain, had charge of routine business in the office. J.C. Dale acted as manager of the bank, and his son, J.C. Dale Jr., looked after the other business activities of the family.

The end of the bank came rather unexpectedly on 1 April 1914, "like a thunderbolt out of the blue," according to the *Toronto Star*.[41] J.C. Dale's health was failing at the time and his son reportedly had taken him to a sanitarium in Buffalo on Friday, 27 March.[42] When neither man returned as scheduled the following Monday, McBain, the accountant, called in two of the minor shareholders to make some credit approvals, for which he held no authority himself. After perusing the ledgers, McKenzie and McBeath concluded that the bank was insolvent.[43] They closed the office the next day, Wednesday, 1 April, posting a sign that read, "Payment has stopped for ten days" and that "Depositors will be paid in full as soon as matters can be adjusted."[44] It is possible that some depositors had sensed that something was amiss on Monday and Tuesday, and that a run on the bank had started.

The suspension of J.C. Dale and Co. caused a virtual paralysis of business in Madoc, indicating that the Dominion Bank, after 11 years in the village, still had only a minority share of the banking business. News of the suspension made the front pages of the Toronto papers. The *Globe* stated that it was believed the bank held over half a million in deposits, an estimate that was only a slight exaggeration. By 1914, prosperous private banks, it seems, were regarded as something of a curiosity, as is indicated by the comments of the *Globe*:

> J.C. Dale & Company's bank is one of the few private banks of Ontario that have been able to survive the competition of chartered banks. Although a branch of one of the leading chartered banks was established in the village, Dale's Bank retained its large patronage, and appeared to be doing a prosperous and expanding business.[45]

As leaders of Madoc's business community, McKenzie and McBeath acted quickly, taking measures even before they closed the bank. The day before closing they consulted with a Belleville lawyer who recommended that an independent chartered accountant be brought in to determine the true position of the bank. On Thursday of the same week, the day after suspension, a representative of the Toronto chartered accounting firm of Webb, Read, Callaghan and Hegan arrived in Madoc. At the same time, representatives of the Canadian Bank of Commerce arrived in town, fulfilling the prediction printed in that day's *Toronto Star* that "It is believed that the private bank will be succeeded by a chartered bank."[46] They quickly located a temporary premises, and opened for business on Monday, 6 April 1914, exactly five days after the suspension.[47]

In the meantime, J.C. Dale, acting through his son, assigned all his assets in Ontario to Robert R. Casement, a Madoc businessman. The depositors formed a committee and retained a lawyer to look after their interests. Evidently, Dale's partners in the bank did not credit the story of his illness and the trip to the sanitarium. There were raised eyebrows over a $2,000 cash withdrawal that Dale had made the day of his departure, a transaction never satisfactorily explained.[48] A private investigator hired by McBeath and McKenzie failed to locate him. The younger Dale appears to have returned to Madoc some days after the suspension, but for his own reasons refused to have anything further to do with the management of the bank or the sorting out of its affairs.[49]

Casement worked closely with the remaining partners and with Hamilton Cassels, a high-profile Toronto lawyer whom they had retained. Cassels stated that the shareholders had approached several chartered banks to take over the business in its entirety.[50] In fact, it appears that the Bank of Commerce was the only one under serious consideration. The officers of the Bank of Commerce soon made an offer of an immediate 25% payment on the deposits, with a additional 25% to follow. As part of the agreement, the shareholders were given three years to make a further 25% payment, to be realized from their personal assets, so that depositors would ultimately receive 75% of their money. The local manager of the Dominion Bank, F. Cottle, complained that his bank knew nothing of the negotiations and was not invited to participate. It also emerged at a depositors' meeting that another bank had offered an initial payment of 35%.[51] The Bank of Commerce clearly had the inside track from

Figure 8.4

J.C. Dale and Co., Madoc
Balance Sheet, as at 31 March 1914
As prepared by Webb, read, Callaghan, Hegan and Co., auditors
(to nearest $50)

(Comparable figures from Dale's Annual Statement of 31 May 1913 shown in italics, where known.)

Liabilities:				
Current accounts	$31,500			
Savings accounts	439,650			
Deposits		$471,150		
Accrued interest		7,150		
Due on western land		16,100		
Total liabilities		$494,400		*$490,900*
Surplus				*$66,000*
				$556,900
Assets:				
Current loans	$140,650		*$201,400*	
Overdrafts	54,500		*69,200*	
Bills discounted	2,450			
Loans		$197,600		*$270,600*
Stocks, bonds, debentures		62,650		*168,100*
Mortgages		23,100		*86,100*
Dale's western land:				
paid	$53,050			
due	16,100			
		69,150		
Cash		9,500		
Total assets		$362,000		*$556,900*
Deficit		132,400		
		$494,400		

[Source: *North Hastings Review,* 7 May 1914; *Monetary Times,* 8 May 1914.]

the beginning.

It appears that the shareholders and major customers of J.C. Dale and Co., who were also the village's major merchants, agreed to take their banking business to the Bank of Commerce if that bank would assist in sorting out the Dale Estate, and allow a longer period of time than they would otherwise desire for settlement, so that the maximum amount could be obtained for their assets. This was the only way that Caskey, McKenzie and McBeath had a hope of recovering any of their capital in the bank. This arrangement also explains the speed and ease with which the Bank of Commerce set up its Madoc branch. A half-century before the chartered banks had co-opted members of local elites to establish a presence. Members of the Madoc business community of 1914 united to co-opt the Bank of Commerce to preserve their own fortunes.

On taking over J.C. Dale and Co., the Canadian Bank of Commerce agreed to pay off depositors of less than $100 in their entirety. Others were to receive 25% of their deposits on 1 July 1914, and another 25% on 1 January 1915. The shareholders, including J.C. Dale, had three years to come up with their 25%, from their own resources and the western lands, purchased with bank funds but held in J.C. Dale's name. This last payment was partially secured by Dale's assets in Madoc not already pledged to the banking business, and consisting primarily of commercial real estate. As well, a buyer had to be found for Dale's residence, one of the best in Madoc, an asset of indeterminate value at the time. Both the bank and the shareholders expected to see a rise in the value of these assets over time.[52] Under the circumstances, the Bank of Commerce had made a generous offer, accepting the assets of the bank at approximately their book value.

The depositors considered the settlement package at a meeting on 15 May 1914, slightly more than six weeks after the failure. Depositors packed Madoc's

Masonic Hall to the rafters to hear Hamilton Cassels, solicitor for shareholders, outline the proposal. The depositors' own lawyer, W.S. Morden, enthusiastically endorsed the package.[53] Payment in full of the small deposits helped win approval for the Bank of Commerce. Both Morden and Cassels stressed the desirability of avoiding costly litigation, which Morden claimed could reduce the depositors' dividend to ten cents.[54]

The motion to accept the offer, moved by a local minister, passed without a dissenting vote. In two hours Cassels and Morden had transformed a restive, apprehensive crowd into a contented one, sympathetic to difficulties of the wrecked private bank's senior partner. It would now be business as usual for Madoc's capitalists.

At the time of the suspension, the business done at the Dale Bank would have been the envy of any chartered bank branch. Deposits totalled $478,000, including $439,650 in savings deposits. Dale had offered a 4% savings rate, 1% above the chartered bank rate, consistently since the late 1890s.[55] Altogether, 1,400 depositors had maintained accounts at the bank.[56] Loans, overdrafts and bills discounted totalled $197,000. The excess of savings money in Madoc, which Dale could not employ locally at a profit in normal banking business, prompted him to seek other investment opportunities. He held over $23,000 in local mortgages, but the bulk of the excess money went toward stocks and bonds, purchased in the name of the bank, and speculative land purchases in the Canadian west in his own name.[57]

The accountant's statement on the affairs of J.C. Dale and Co. showed total liabilities of $494,400, a sum which exceeded the known assets by $132,400. The deficit allowed nothing for the capital invested in the bank by Dale and the other shareholders. Therefore, the loss on imprudent investments must have totalled $200,000, if not more. It appears that J.C. Dale may have been a victim of the economic downturn of 1913, and the collapse of the real estate boom in western

Canada. In addition to speculative land purchases, he had purchased stocks on margin, and debentures and bonds through a number of Toronto brokers. In the event of a decline in the value of these securities, the brokers would have demanded additional sums from Dale to maintain his margins. Dale's equity in these investments at the time of the failure totalled $62,700, but may have been much higher a year earlier.

The accountants who conducted the audit raised a number of questions over apparent irregularities in the accounting system, and major discrepancies between Dale's last annual statement, prepared on 31 May 1913, and certified correct by J.C. Dale and J.C. Dale, jr. It appears that Dale and his son had hidden major losses in their stock speculations in the books. The auditors concluded that:

> It would be instructive to have these two gentlemen explain how they accounted for a surplus of assets over liabilities of $66,000 odd being converted into a deficiency of over $132,000 in the course of ten months.[58]

The accountants concluded that most of the Dales's speculative losses had occurred in the months immediately preceding the suspension. As manager of the bank, J.C. Dale was in a position to hide this activity from his partners. There were other irregularities, including a $10,100 nonproductive loan to J.C. Dale, jr. that had been on the books for 12 years. The overdraft total contained about $30,000 that in fact represented uncollectible loans and interest that should have been written off. The accountants stated, "We understand that practically no collateral was held against any of these overdrafts."[59] McBain, the accountant in Dale's bank, must certainly have been aware of the irregularities, but his silence can be explained by the fear of losing his job. The ignorance of Dale's partners is not so easy to explain. The most plausible explanation is that they had trusted Dale completely, and had accepted his financial statements as true. They had, after all, known him for decades, and were probably content to collect their annual share of the profits. They did act with utmost speed when they discovered the irregularities. Neither the chartered accountants who did the audit nor the creditors of the bank attached any blame for the failure on them.

Dale was guilty of mixing his personal, speculative investments with the affairs of the bank, using the resources of the bank to benefit his own family. In the process, he lost all the bank's capital and reserve, and at the time of the failure was running a personal overdraft of $23,900, used for his western real estate purchases. Altogether, the Dale family owed the bank $65,400. One loan, of $10,100 to James C. Dale Jr. had stood on the books for 12 years without a payment. Another of $19,850 to a second son, John Dale of Edmonton, had been used to set up a retail business there, selling the products of the Madoc Piano Company.[60]

James Caskey, one of the minor partners, was also a major borrower, to the extent of $10,200. Together, the Dale and Caskey loan accounts represented over 20% of the assets of the bank. J.C. Dale and Co. was not the first Ontario private banking firm to succumb after placing the imprudent personal investments of the proprietor ahead of the safety of the depositors.

The turmoil in Madoc's business community following the failure of J.C. Dale and Co. lasted less than two months. The Canadian Bank of Commerce soon built a solid business in the village, promoting itself with large display advertisements that emphasized the stability and size of the bank and the large balances in its capital and reserve accounts.[61] Robert Casement continued as assignee in winding up the J.C. Dale Estate, a process that in the end took 11 years and earned Casement $3,000 in fees.[62]

It appears that James C. Dale and his son never returned to Madoc.

c. Vaughn and Fairbank of Petrolia

One of the earliest private banks in the province, Vaughn and Fairbank commenced business in 1869, one year after Alex Johnston opened the first full-service private bank in the province. Although the oil boom had begun in this part of Lambton County in 1861, Vaughn and Fairbank provided the first banking facility in Petrolia.

John H. Fairbank was an American expatriate who did well in the Enniskillen oil field, the first in Lambton County, in 1861.[63] Four years later he was one of the first oil producers in the nearby Petrolia field. With a large equity by 1867, he began a general store in Petrolia, specializing in hardware and oil well supplies. In 1870 B.S. Van Tuyl became a partner in this business, which soon became the major supply house and outfitter for Lambton County's oil producers.

Firmly established in the oil and retailing businesses, Fairbank decided to go into banking in 1869. He had a partner in this venture, Leonard B. Vaughn, another American, who had been successful in Petrolia dealing in oil and real estate. Vaughn and Fairbank purchased a foreign exchange operation conducted by Patrick Barclay, the Petrolia postmaster. Barclay's exchange business was similar to others in the province during and immediately after the American Civil War; there is no evidence that his was a full service private bank.[64]

The Vaughn and Fairbank bank filled an obvious need in the oil patch, to facilitate the payments system as much as a source of credit. Immediately on opening, Vaughn and Fairbank established cheque clearing arrangements with the Bank of Montreal's London branch. By 1870, the second year of operation, weekly clearings for Vaughn and Fairbank had reached the $15,000 mark. This sum was probably exceeded by the purely local business in Petrolia. The firm had a $10,000 line of credit with the Bank of Montreal to cover clearing balances that might occur, secured by Fairbank's personal credit. The Bank of Montreal could and did provide working capital to Vaughn and Fairbank, expanding the lending capabilities of the firm considerably. In this way the Bank of Montreal could participate in the profitable oil boom, although the bank had neither an oil expert on its staff nor a knowledgeable man in the field with the necessary expertise to take charge of a branch in an oil town. The interest of the Bank of Montreal in the Lambton oil patch at this time ran counter to its general policy of withdrawing from small-town Ontario discounting in the late 1860s. The Bank of Montreal held such a high respect for Fairbank's judgment that they continued to support him when the oil market collapsed briefly in 1873. The value of Fairbank's assets dropped dramatically, and his bank's borrowing customers fell behind in their payments. In these circumstance, the Bank of Montreal might very well have called their loans to Fairbank.[65]

For their own reasons, Vaughn and Fairbank chose not to deal with the Bank of Montreal's New York Agency. Instead, they set up correspondent arrangements with Jay Cooke and Co, the famous New York commercial banking house. This proved to be a costly relationship. When Cooke failed in 1873, Vaughn and Fairbank were creditors to the extent of $906.[66] Vaughn and Fairbank later dealt with the Metropolitan National Bank of New York.

In the early years, Vaughn and Fairbank built a diverse lending portfolio, lending on promissory notes backed by all types of security, including chattel mortgages. They discounted all classes of personal and business promissory notes, and they wrote short and medium term mortgages on real estate. Business references and security meant less to Vaughn and Fairbank than character and personal reputation. The firm could be more flexible in taking security and in its general lending practices than a chartered bank. This proved to be a great benefit in the volatile Ontario oil industry. Many of their loans were to business connected with the oil business. Not all were local: the Carbon Oil Company of London had a $30,000 loan in 1872.

Leonard Vaughn acted as manager of the bank, attending at the office full time.

Fairbank primarily reviewed loan applications and borrowing accounts, dividing his time between the bank and his numerous other business activities.

Fairbank's own business were among the major borrowers at the bank. The Van Tuyl and Fairbank hardware store became the major supplier of oil well equipment in Petrolia, with a correspondingly large accounts receivable ledger. The store relied on the bank for its working capital. For example, 25 of the 65 loans granted in 1898 were for the hardware store. New loans paid for wholesale purchases, and payments were applied to older loans. Fairbank's other major industrial ventures, the Petrolia Wagon Company and the Stevenson Boiler and Engine Works, were also major accounts at his private bank.[67] During the 1870s and early 1880s, when the oil industry was still dominated by small producers, Vaughn and Fairbank served as the most important banking office in the oil-producing region, financing the producers, tanking companies and refineries. Fairbank retained his interest in the oil business, as the president of the Home Oil Works, and later in the oil refining firm of Fairbank and Rogers.

Through the 1880s Vaughn and Fairbank became one of the most prosperous private banks in the province. In 1887 the bank generated a profit of more than $4,000. Relations between the partners, however, do not appear to have been smooth. Part of the difficulty may have been Fairbank's propensity for impulsive involvement in almost any business venture in town. Leonard Vaughn seems to have provided a cautionary element not always welcomed by Fairbank. Further, Vaughn may have exercised too much control over the bank when Fairbank was elected the federal Member of Parliament for Lambton East in 1882. When Vaughn died in 1887, Fairbank resolved not to take in another partner. Instead, he hired Robert Morris as manager of the bank, retaining the name Vaughn and Fairbank, though after 1887 John Fairbank was the sole proprietor.

Fairbank's later ventures were not as successful as his early ones had been. Only the hardware store managed to remain prosperous. In 1893, when the peak of the oil boom was long past, annual sales at the store totalled $250,000. The Stevenson Boiler Works proved far less successful. Started by William Stevenson about 1870, the business at its peak employed 55 and had gross annual sales of $70,000. The company had fallen hopelessly in debt by 1891, when Stevenson absconded to the United States. Vaughn and Fairbank led the list of creditors, with outstanding loans to the firm in the $25-30,000 range. On behalf of the bank, and Fairbank purchased the boiler works at a sheriff's sale for $14,100, and reopened it in the hope of recovering his loans. Fairbank and his son struggled to make a success of the boiler works until 1918, when it was closed and the remaining assets were sold. All this time it was owned by the bank. Another creditor, the Hercules Manufacturing Co., makers of flour milling equipment, failed in 1891, with the bank as a major creditor. Fairbank tried briefly to continue this business as well, but soon saw the impossibility of its situation and closed it down. Because of accounts such as these, Vaughn and Fairbank suffered a far worse loss record than most private banks. For example, in 1893 the bank wrote off $11,500 of the Stevenson Boiler Works loan, and $8,000 in other losses.[68]

Interestingly, no chartered bank attempted to establish itself in Petrolia until the arrival of the Federal Bank in 1880. The local manager, Peter Campbell, became a business associate of Fairbank soon after his arrival in Petrolia. The Federal Bank office lasted only four years. Its end is somewhat mysterious. The *Monetary Times* in 1884 published a denial by the Federal Bank that the new Bank of London had taken over its Petrolia business, in spite of the fact that the Bank of London was located in the Federal Bank premises and Peter Campbell was acting as manager.[69] When the Bank of Toronto took over the Bank of London in 1887,[70] the management recognized

Campbell's stature and connections in the community, and retained him as manager, in spite of the fact that he was involved in various ventures outside the bank.

One of these was the Crown Savings and Loan Company. Vaughn and Fairbank established this business in 1882, with the help of Peter Campbell, to handle the mortgage business formerly carried on the books of the bank, and to expand this type of business beyond Petrolia. The Crown raised its capital through the sale of stock and debentures. Vaughn and Fairbank held both stock and debentures in the Crown at various times as part of the bank's assets, but the management of the two institutions remained quite separate. Fairbank was president of the Crown, and Campbell the vice president. For a time the Crown's manager was Harry J. Leacock, of the Brigden private banking firm of Lucas, Leacock and Co.[71]

Both Leonard Vaughn and John Fairbank were aware of the problems that could arise with a private bank locking up its capital in mortgages. The Crown was able to match the duration of its assets with its liabilities better than a bank could. The Vaughn and Fairbank bank held some of the Crown's debentures, but in a liquidity crisis these could be sold, and its holdings of them could be raised or lowered depending on the circumstances of the bank at a particular time.

Vaughn and Fairbank must be regarded as an atypical private bank. It was always well capitalized, rarely borrowing from a chartered bank, and it maintained a high degree of liquidity. The deposit business was structured in a way to minimize the danger of a run. The bank allowed no interest on current accounts, and did not have savings accounts. Instead, it issued interest bearing deposit receipts. These were accepted for a specified time, and carried the notation, "No interest if withdrawn before 3 months – 15 days notice required for withdrawal."[72] In turn, Vaughn and Fairbank normally held large balances in term deposits at the Bank of Montreal, or later, the Bank of Toronto. The margin of profit earned on this business was scant, perhaps 1% or so, but it gave Vaughn and Fairbank both protection against disaster and large reserves that could be deployed quickly to take advantage of particular business situations.

Fairbank's difficulties with several of his businesses negatively affected the earnings of the bank during the 1890s. As well, customers gradually drifted away to the Bank of Toronto. The balance at the credit of the profit and loss account rose from $32,200 to $56,500 between 1893 and 1903, an average of $2,400 per year, far below the annual profits in the $4,000 range earned during the 1880s.

In the twentieth century there was additional banking competition in Petrolia, first from the Metropolitan Bank in 1903, and later from Molson's Bank in 1913.[73] Fairbank received a formal offer to sell the bank in November 1902, but did not consider it seriously. He also received a proposal from Molson's Bank to take over the chartered bank connection that Vaughn and Fairbank had with the Bank of Montreal.[74] This is one of the few recorded instances of a chartered bank actively competing with another to secure private banking business.

John Fairbank continued to use the bank after 1900 to finance his various business ventures, some of which were in partnership with his son, Dr. C.O. Fairbank. The Fairbanks lost money on the Petrolia Packing Company in 1901, and had difficulty with the Petrolia Wagon Works, in which they held a 20% share. A major employer in Petrolia, the firm's sales reached $388,000 in 1911, but the company had difficulty making a profit. Its continued existence was due solely to Fairbank's involvement, and his willingness to forgo dividends. The firm borrowed $50,000 from the Bank of Toronto to augment its working capital; the loan was guaranteed by Fairbank. As well, the firm had an operating loan with Vaughn and Fairbank of up to $100,000, which, given the financial situation of the firm, would have been difficult to secure from a chartered bank. This loan made the Petrolia Wagon Works by far the

Figure 8.5

Vaughn and Fairbank, Bankers, Petrolia
General Ledger Balances, August 31, 1893, 1903, 1913, 1923

	1893	*1903*	*1913*	*1923*
Liabilities:				
Deposit accounts	3.3	48.4	8.3	
Certificates of deposit	82.3	67.6	33.3	
Misc.	5.8	5.3	7.3	.8
Profit and Loss	32.2	56.6	125.7	73.6
Totals	123.6	177.9	174.6	74.4
Assets:				
Bills receivable	27.2	23.2	45.5	.5
Loans	57.2		40.6	
Collections	.7	.9	1.0	
Exchange Accounts	6.5	4.4	1.6	
Deposits in Bank of Montreal	21.5	102.2	50.5	63.2
Crown Sav. & Loan debentures		42.5	26.5	
Misc.	7.1	1.1	3.5	10.7
Cash	3.4	3.6	5.4	
Totals	123.6	177.9	174.6	74.4

[Source: Vaughn and Fairbank Papers, University of Western Ontario.]

largest customer of Vaughn and Fairbank in the twentieth century.

The earnings of Vaughn and Fairbank improved after 1900, even as the customer base was shrinking. A considerable part of its income came from the interest on loans to the Petrolia Wagon Works and Van Tuyl and Fairbank, the hardware store. Fairbank never drew any profits from the bank, and simply let the net earnings each year accumulate in the profit and loss account. The balance in this account grew by 122% between 1903 and 1913, from $56,600 to $125,700. Over the same period, total assets declined from $177,900 to $174,600, and liabilities to the public dropped from $115,900 to $41,600.[75] By 1913 Vaughn and Fairbank had become, in large part, a branch of the Fairbank family's financial domain, rather than a banking facility for the general public.

The close integration of Vaughn and Fairbank with the personal business investments of John Fairbank and his son violated one of the basic principles of sound private banking. Depositors, though, faced little danger with this private bank. Loans to businesses controlled by Fairbank rarely exceeded his own equity in the bank. It does not appear that liabilities to the public ever exceeded three times Fairbank's equity, and the assets of the bank normally included a large percentage of liquid assets: debentures in the Crown Savings and Loan Co., and term deposits in the Bank of Montreal.

Following John Fairbank's death in 1914, his son Dr. C.O. Fairbank continued the various business enterprises in the name of the estate, with no obvious changes, until they became a drain on the family fortunes. The Stevenson Boiler Works was wound up in 1918, and the Petrolia Wagon Works in 1922. The latter firm had become hopelessly unprofitable. At the time Dr. Fairbank closed it down, accumulated liabilities totalled over $400,000. He paid the Bank of Toronto $211,000 to settle its claim for the original $50,000 loan, subsequent loans, and unpaid interest.

Vaughn and Fairbank wrote off much of the remainder, which represented its operating loan to the firm. Effectively, this was the end of Vaughn and Fairbank. Although the bank did not formally close until 1924, its general ledger in August 1923 shows no deposits held by the public. Assets at this point consisted of about $500 in current loans, $10,700 in miscellaneous assets, and $63,200 in term deposits at the Bank of Montreal.

Unlike Vaughn and Fairbank, the Crown Savings and Loan Co. increased its business during the first two decades of the twentieth century. Although the Fairbank family only owned about 15% of the shares in the Crown, Fairbank dominated its affairs as its president until his death, when he was succeeded by Jacob L. Englehart of Imperial Oil fame. During his 31 years as president, Fairbank set a policy of extreme caution and conservative with this institution, quite in contrast to the impulsive way he attended to many of his own financial affairs. The mortgages held by the Crown were almost exclusively farm mortgages. In a letter he sent to the shareholders in 1913 he commented that:

> The first desire of our stock and debenture holders and depositors is to know what securities their money is invested in. Over ninety-five percent of it is invested in mortgages upon improved farms in Lambton and neighbouring Counties. It is better that our spare money should meet the requirements of our farmers, than be sent away for investment.[76]

Fairbank regarded agriculture with reverence, and as an enterprise quite apart from any other. Fairbank established the Crown Savings and Loan Co. to provide a reliable local source of farm mortgage money, and to remove mortgages from the books of Vaughn and Fairbank. The Crown provided farm mortgages at 6% and 7%, though the rate could be as high as 10% in times of stringency, and as low as 5%. Its liabilities consisted of capital stock, debentures, and savings accounts. Because Vaughn and Fairbank did not carry savings accounts, the Crown became the depository of choice for savings in the Petrolia area. At the end of World War I these totalled, in the form of deposit accounts and debentures, almost $400,000. Total assets of the Crown at this time had reached the $750,000 range. Unlike private banks, small mortgage companies such as the Crown Savings and Loan could prosper in the early twentieth century.

As a private bank serving a particular community, Vaughn and Fairbank enjoyed its peak in the 1870s and 1880s. The opening of the Federal Bank in Petrolia does not seem to have affected seriously its profitability. In these years Leonard Vaughn dominated the bank in his position as manager, following a sound and cautious course through the volatile years of private banking in the early 1880s. At the time of Vaughn's death the bank had achieved the second highest financial rating of all the private banks in the province.[77] The tuning point in the bank's fortunes can placed at 1887. In that year Leonard Vaughn died. Also that year, the Bank of Toronto took over the town's sole chartered bank office. From this time forward, Vaughn and Fairbank became increasingly the financing arm of John Fairbank's various enterprises, and chartered bank competition began to erode significantly at the customer base, a process accelerated with the opening of two more chartered banks in the twentieth century.

The history of Vaughn and Fairbank illuminates the entrepreneurial career of John H. Fairbank, one of the more flamboyant of Ontario small town private bankers. In many ways this was not a typical Ontario private bank. It was one of the earliest to begin and to prosper, and it stayed in business longer than most – 55 years. It was always a well capitalized bank, based on the personal resources of the founding partners. Leonard Vaughn had done well in real estate and oil, and John Fairbank had made a fortune in oil quickly and early in his life. Fairbank's early good fortunes established his entrepreneurial style. Developing a strong and deep affection for Petrolia, he invested in virtually any local enterprise, often on impulse, without considering realistically its potential.

Without the cautionary influence of Leonard Vaughn, Fairbank drew the bank closer to his own investments through the 1890s, a dangerous practice that resulted in the demise of a number of Ontario private bankers. Fairbank did not fail because he had a great deal of equity in the bank, and considerable resources outside it. In 1893 his equity in the bank stood at $32,600, while Dun and Wiman rated his financial strength at $200-300,000. In 1903 his equity in the bank had reached $56,600, and his financial strength had been raised to the $300-500,000 category.[78]

In his business ventures outside the bank, Fairbank seems to have desired to maximize the diversity of activities in the town, rather than his own profits. To a large extent he rescued both the Stevenson Boiler Works and the Petrolia Wagon Company, and kept them afloat long after they ceased to be profitable ventures. Fairbank could afford to be philanthropic in business. He did not rely on these firms for his income, and he took no profits out of the bank. The Van Tuyl and Fairbank hardware store alone provided him with a living income, and he also had dividends and interest from his shares and debentures in the Crown Savings and Loan Company, and income from his various oil producing and oil refining ventures.

More so than with his other enterprises, John H. Fairbank developed a fondness for the bank. Edward Phelps has observed that "the reputation of Vaughn and Fairbank was a matter of pride" to him, and that he wanted it carried on no matter what the cost.[79] Fairbank's son continued the bank for 10 years after his father's death, operating it in the name of the Fairbanks Estate. Even before John Fairbank's death, the bank had long passed the point where it was of much utility to the Petrolia community, which had its choice, by this time, of three chartered banks. During its last 15 years, the main business of Vaughn and Fairbank was to handle the finances of the Fairbank family in its various outside enterprises. Other entrepreneurs, in the same position, might have found more efficient ways to deploy capital in these businesses.

d. Three Bankers in Summary

It would be unfair to argue that three men as individualistic, and slightly eccentric, as J.M. Walton, J.C. Dale and John Fairbank typified private banking, but their banking careers do serve to demonstrate that private bankers tailored their business to suit their local economies. It is fortunate that all three prospered late in the history of private banking. There are commonalities in that all three diversified their investments outside banking, particularly after 1910. None was able to find a satisfactory local deployment for their banking capital. In the long run, Walton was the most successful of the three, investing in stocks, bonds and mortgages. Fairbank tried to assist local manufacturing, supporting hopelessly unprofitable ventures long past the time of prudence, but also put much of his money in safe investments outside Petrolia. Dale could not resist speculative investments in stocks and real estate.

The evidence from these cases suggests that small-town economies were stagnant, and certainly not sharing in the economic boom of the early years of the century. All three of these bankers had been local boosters earlier in their careers. There is no evidence that they would not have continued to do so had there been lending opportunities at home.

The flight of private bank funds seems to have been a widespread phenomenon. For example, when J.A. Halsted of Mount Forest sold his bank he moved to Toronto and started a private lending business. When he died in 1914 he left an estate of $308,000, half of which consisted of private loans.[80] A full investigation of this topic is beyond the scope of this study, but it is clear that local economic development, when viewed from the perspective of a town's private bank could be a fruitful exercise for local and urban historians specializing in the late nineteenth century.

REFERENCES FOR CHAPTER VIII

[1]*Monetary Times,* 9 July 1875.

[2]*Aurora Banner,* 3 Aug. 1888. Except for the change in name, the advertisements for the Federal and Ontario Banks were identical.

[3]*Aurora Banner,* 23 June 1893.

[4]Ross ran for reeve of King Township in 1886. See *Aurora Banner,* 30 Dec. 1886.

[5]*Aurora Banner,* 27 Dec. 1893; 21 Sept. 1900.

[6]Estimate based on figures from first year of J.M. Walton's proprietorship.

[7]*Aurora Banner,* 21 Sept. 1900.

[8]James Johnston, *Aurora, Its Early Beginnings,* p. 20.

[9]J.M. Walton Diary, Aurora Museum, Aurora, Ont. This collection includes most of the ledgers used by J.M. Walton and Co. from 1900 into the 1930s, along with a large amount of collateral material. It is the most complete collection of papers of a private bank in Ontario, with the possible exception of the Fairbank collection at the University of Western Ontario. Specific references to dates and figures are from these papers unless otherwise noted. I am indebted to Jacqueline Stuart, curator of the Aurora Museum, for assistance in examining these records, and for answering my questions on other aspects of Aurora history.

[10]The Fleury firm, which was established in Aurora in 1859 as Fleury and Pearson, was easily Aurora's largest employer by 1900, with a payroll in excess of 200. It prospered until the late 1920s, and was bought out by the T.E. Bissell Co. of Elora in 1937. See W. John McIntyre, *Aurora: A History in Pictures* (Erin, 1988), pp. 57-58; James Johnston, *Aurora, Its Early Beginnings,* p. 35.

[11]Joseph Schull, *100 Years of Banking in Canada* (Toronto, 1958), pp. 97-99.

[12]*Millbrook Reporter,* 4 Mar. 1909.

[13]*Aurora Banner,*2 Apr. 1917. This building still stands, occupied by a jewellery store, which uses the old safe. See John McIntyre, *Aurora: Its History in Pictures,* p. 77.

[14]*Aurora Banner,* 2 Apr. 1917.

[15]A.St.L. Trigge, *History of the Canadian Bank of Commerce, vol. 3* (Toronto, 1934), p. 545.

[16]John McIntyre, *Aurora: Its History in Pictures,* p. 134.

[17]Gerald Tulchinsky, *The River Barons,* p. 5.

[18]Gerald Tulchinsky, *The River Barons,* pp. 21-2.

[19]*Ontario Agricultural Commission,* Vol II, Appendix B (Toronto, 1881), p. 191.

[20]*Ontario Agricultural Commission,* II, B, p. 191.

[21]Nick and Helma Mika, *The Grand Junction Railway,* p. 42; 112; 135; *Statutes of Ontario, 1874 (1), c. 38.* Mention should also be made of the Belleville and Marmora Railway, *S.C. 1866, c. 102,* and the Belleville and Ottawa River Railway, *S.O. 1874-76, c. 68.* Both were conceived to help exploit the iron ore deposits of Hastings County. Neither venture advanced past the paper stage. See Robert Dorman and D.E. Stoltz, *A Statutory History of Railways in Canada, 1836-1986* (Kingston, 1987), pp. 21-22.

[22]*North Hastings Review,* 7 Dec. 1899. The advertisement prominently displays the statement, "Established 1877."

[23]*Hastings County Directory,* 1864; *Madoc Mercury,* 27 Sept. 1866; *North Hastings Review,* 6 Apr. 1877.

[24]Advertisements for the Traders Bank began to appear in the *North Hastings Review* 19 May 1887.

[25]*North Hastings Review,* 31 Jan. 1889.

[26]*North Hastings Review,* 11 July 1889.

[27]*Hastings County Directory, 1864; North Hastings Review,* 31 May 1877; 21 Feb. 1889.

[28]*North Hastings Review,* 1 May 1890.

[29]*North Hastings Review,* 8 May 1890.

[30]*North Hastings Review,* 21 May 1914.

[31]*Stirling News-Argus,* 22 Apr. 1881.

[32]Cheque drawn on E.D. O'Flynn and Sons, 7 Dec. 1899, collection of the author. The figures for capital and reserves are printed on the left hand of the cheque.

[33]*North Hastings Review,* 22 Jan. 1903.

[34]*North Hastings Review,* 9 June 1904.

[35]*North Hastings Review,* 3 Dec. 1903.

[36]The surviving ledgers and journals of J.C. Dale and Co. are in the possession of the Pigden family of Madoc, who operate a Radio Shack store in the former premises of J.C. Dale and Co. I am indebted to Mr. Gordon Pigden for permission to examine these records in detail. Unless otherwise noted, figures quoted are from these records.

[37]*Ontario Agricultural Commission,* II, B, p. 191.

[38]Ian Drummond, *Progress Without Planning,* p. 127.

[39]*Ontario Agricultural Commission,* I, p. 412.

[40]*Monetary Times,* 14 Feb. 1896.

[41]*Toronto Daily Star,* 2 Apr. 1914.

[42]Toronto *World,* 2 Apr. 1914.

[43]*North Hastings Review,* 21 May 1914.

[44]*Toronto Daily Star,* 2 Apr. 1914.

[45]Toronto *Globe,* 2 Apr. 1914.

[46]*Toronto Daily Star,* 2 Apr. 1914.

[47]Victor Ross, *History of the Canadian Bank of Commerce,* II, p.570.

[48]*Toronto Daily Star,* 16 May 1914.

[49]*Toronto Daily Star,* 2 Apr. 1914.

[50]*Toronto Daily Star,* 16 May 1914.

[51]*North Hastings Review,* 21 May 1914.

[52]*North Hastings Review,* 21 May 1914.

[53]Morden, the Belleville lawyer who acted for the depositors, had previous experience with two failed banks: U.E. Thompson of Belleville and the Murphy-Gordon Co. of Tweed. *North Hastings Review,* 21 May 1914.

[54]Toronto *Globe,* 16 May 1914.

[55]See, for example, *North Hastings Review,* 7 Dec. 1899; 17 May 1906; 28 Feb. 1907; 6 Apr. 1911.

[56]Brenda M. Hudson, *Fabric of a Dream* (Belleville, 1979), p. 31. This work reports that the failure occurred in 1910, and thus must be used with caution, though most of the other facts stated in it concerning the Dale failure are in agreement with contemporary press accounts.

[57]*North Hastings Review,* 7 May 1914. The figures are from a statement prepared by the chartered accountants investigating the bank.

[58]*Monetary Times,* 8 May 1914.

[59]*Monetary Times,* 8 May 1914.

[60]Toronto *Globe,* 16 May 1914; *Monetary Times,* 8 May 1914.

[61]*North Hastings Review,* May 1914.

[62]Brenda M. Hudson, *Fabric of a Dream,* p. 31.

[63]Lengthy obituaries of John H. Fairbank appeared in the *Petrolia Advertiser* of 11 Feb. 1914, and the Petrolia *Topic* of 11 Feb. 1914. For a full length study of Fairbank, see Edward Phelps, "John Henry Fairbank of Petrolia (1831-1914): A Canadian Entrepreneur." M.A. Thesis, University of Western Ontario, 1965. Unless noted otherwise, information about Fairbank is from the latter source. The ledgers and other records of the Vaughn and Fairbank private bank are located in the Fairbank Collection, Regional Room, Weldon Library, University of Western Ontario.

[64]The exchange brokers of this period are discussed in Chapter 4, *supra.* pp. 177-181. The historical problems surrounding Barclay and his bank, and early banking facilities in the Petrolia oil patch, are covered *supra,* pp. 187-89.

[65]Victor Lauriston, *Lambton' s Hundred Years* (Sarnia, [1949]), p. 151.

[66]*Monetary Times,* 4 Jan. 1874.

[67]Vaughn and Fairbank, General Ledgers and Discount Registers, Regional Room, Weldon Library, University of Western Ontario.

[68]Vaughn and Fairbank, General Ledger, Fairbank Collection, Weldon Library, University of Western Ontario.

[69]*Monetary Times,* 25 July 1884.

[70]*Petrolia Advertiser,* 2 Sept. 1887.

[71]Petrolia *Topic,* 22 July 1884.

[72]Vaughn and Fairbank Deposit Receipt, Bank of Canada Collection, Bank of Canada Currency Museum, Ottawa.

[73]*Petrolia Advertiser,* 3 Jan. 1903; *Lambton Legal and Municipal Directory,* 1914. The Metropolitan Bank was absorbed by the Bank of Nova Scotia in 1914.

[74]Edward Phelps, "John Henry Fairbank of Petrolia (1831-1914): A Canadian Entrepreneur," p. 249.

[75]Vaughn and Fairbank, General Ledger, Fairbank Collection, Weldon Library, University of Western Ontario.

[76]J.H. Fairbank, Letter to Stockholders, 6 Feb. 1913, Fairbank Collection, Weldon Library, University of Western Ontario.

[77]The Essex County Bank of Windsor, operated by Cameron and Currie, had a higher rating. Two other firms, the Rathbun Co. of Deseronto and Stinson's Bank of Hamilton, had the highest ratings on the list, but neither were full-service private banks. *Dun and Wiman Mercantile Reference Book,* March 1887.

[78] *Dun and Wiman Mercantile Reference Book,* March 1892; March 1902.

[79]Edward Phelps, "John Henry Fairbank of Petrolia (1831-1914): A Canadian Entrepreneur," p. 249.

[80]*Toronto Daily Star,* 3 Dec. 1914.

IX. CONCLUSION: THE SIGNIFICANCE OF PRIVATE BANKING IN THE DEVELOPMENT OF THE ONTARIO FINANCIAL SYSTEM

a. Ontario Private Banking in Perspective

In its broadest definition, private banking in Ontario spans more than a century, from the 1830s to the 1930s. It was not a continuous history. In the historical literature, the term `private bank' is applied to the joint stock private banks of the 1830s, to specialized urban financial institutions that began to appear in the 1850s, and to the small-town full-service private banks that appeared after 1868. There are no connections among these three classes of private banks, other than the fact that they all filled real or perceived niches that chartered banks were unable or unwilling to fill.

The joint stock private banks of the 1830s were established in the unique politicized economic climate of the time. This was an era of experimentation in financial organizations, and these joint stock private banks, despite rapid initial growth, must be regarded as failures. Their real significance is more political than economic in the evolution of the overall financial system. Dominated by Reformers and pursuing anti-establishment agendas, they were unsuccessful in fulfilling their initial purpose, to bring financial services and credit to the hinterland.

Beginning in the 1850s, urban private bankers filled specialized roles which varied considerably from city to city and from firm to firm. A number operated as exchange offices, a vital function in a trading centre in the years before Canada had its own currency, and when many businessmen anticipated greater cross-border trading in the wake of the 1854 Reciprocity Treaty.[1] There is evidence that many made their profits in bullion speculation as much as in transaction and exchange fees. Initially, most of these urban private bankers undertook ancillary activities. Some sold railway and steamship tickets as a service to those purchasing foreign currency for travel; others operated as express agencies and handled the payments for the goods they received and despatched. Foreign exchange activity became particularly hectic during the American Civil War period. As well as currency speculation, some urban private banks began selling American bonds. Urban private banking shifted significantly after Confederation, and after the abrogation of the Reciprocity Treaty. The chartered banks captured most of the foreign exchange business, and there were fewer opportunities for quick profits in currency speculation. Instead, urban private bankers began dealing in stocks, bonds, and debentures. Those that survived into the 1880s evolved into full-fledged bond dealers and stock brokers. These urban private bankers were small firms, and none ever offered a full range of banking services.

As a group, full-service private bankers in small towns were far more important than either the early joint stock private banks or the urban bankers. The concept of these banks developed in southwestern Ontario. Alex Johnston of Strathroy pioneered the small-town private bank in 1868, and within a few years there were several dozen scattered through the hinterland area of Ontario, with the greatest concentration in Huron, Lambton, Middlesex, Kent and Essex Counties.

There were some small-town antecedents in the form of foreign exchange specialists in the 1860s, but none were full-service banks. These exchange specialists had much in common with the urban private bankers, though a few did eventually become full-service private banks in the 1870s. The small-town exchange specialists of the 1860s were not common, and had little significance other than offering a convenient service in their particular localities.

Alex Johnston's private bank, when it opened in 1868, offered all the services of a chartered bank branch. This was one of two distinguishing characteristics of Ontario small-town private banks, differentiating them from earlier financial offices and from the numerous private lenders and mortgage brokers in their own time. The second characteristic of small-town private banks was their working relationship with the chartered banks. Private bankers augmented their working capital (consisting of their own investment and the deposits of the public), with borrowings from a particular chartered bank. They also used the clearing and correspondent network of their associated chartered bank. In turn, the chartered banks found private banks useful for increasing the circulation of their banknotes, and for establishing a presence in hinterland areas where they could not justify a branch of their own. Private banks also opened lending opportunities in lines forbidden to chartered banks by the Bank Act, such as mortgages, or in lines where the supervision of security was difficult, such as livestock.

In dozens of smaller towns, private banks provided the only banking facilities for a generation.

b. The Significance of Small-Town Private Banks

The history of Ontario small-town private banking must be considered in parallel with the changes and growth of the chartered banking system, and in particular the establishment of extensive branch systems. That the Canadian chartered banks would establish branch networks was implicit in the thinking of their original organizers and the governments which granted them their charters. The theoretical underpinnings of nineteenth century Canadian banking seem to come from American Hamiltonian theory, and the practical example of banks in the United Kingdom, particularly those of Scotland, where the leading banks had long operated extensive branch systems.[2] The fact that branch banking had been allowed in Canada from the beginning did not mean that branch systems could be set up easily. Branch banks existed by 1820, but it was the end of the nineteenth century before the system had evolved to the point where hinterland communities were satisfied with their banking facilities, and where the chartered banks could generate consistent profit from this business. In succession from the 1840s to the 1870s, the Bank of Montreal, the Bank of Upper Canada, the Ontario Bank, the Royal Canadian Bank, and the Merchants Bank attempted to operate extensive branch systems in Ontario. None was able to do so profitably or successfully. In essence, Ontario's small-town private banks served to bridge the corporate goals of the chartered banks and the desires of hinterland communities for banking facilities. The flowering of small-town private banks in the years between 1870 and about 1908, can be viewed as an intermediate step in the provision of uniform banking facilities and access across the province.

Private bankers of some type can be found in virtually all trading economies. As Fritz Redlich has stated: "....we know him as working all over the Western world in commercial centres and ports, a man or firm doing a mercantile business first of all but engrafting financial transactions thereon."[3] Private bankers of this sort tend to appear at a relatively early stage of development. It is tempting, therefore, to look for parallels to Ontario's private banks in the early financial system of the United States.

The standard work on early American banking, by Bray Hammond, is contradictory in its assessment of private banking. Hammond points out that American banking began with public, incorporated banks of issue, and did not evolve out of private ones, as was the case in Europe. He states that "The country became spotted with public banks, and had no private ones."[4] Later he states that "In the 18th and 19th centuries, unchartered banks were mainly in commercial and trading centres, they developed out of merchandising, and they were frequently affiliated with British merchant banking houses."[5] Still later: "Yet there were "unauthorized" banks everywhere. Besides partnerships and individuals operating as banks without corporate charter, there were also corporations without the names of banks that were engaged in discounting, sale of exchange, and extension of deposit credit."[6] The impression left by Hammond is that American private banks tended to be located at the centre of financial activity, and were largely involved in the wholesale movement of goods. If Hammond is correct, American private banks contrast sharply with Ontario private banks of all periods and types, which were located at the periphery, and dealt with small enterprises and individuals.

A later study by Fritz Redlich divides American private banking into two phases, an early group between the Revolution and the War of 1812, and a later group, prominent in the 1840s and 1850s, which prospered on a wave of anti-bank sentiment.[7] Redlich's preoccupation with these bankers centres on their credit-creating function and their efforts to issue banknotes illicitly. Comparisons of the early banking systems of the United States and Canada are complicated by the political climates of the two countries. There never seems to have been a great desire for branch systems in the United States. Canada, on the other hand, avoided the extreme hard-money policies and anti-bank sentiments of the Jacksonian radicals, and later, the inflationary theories of free silver advocates and agrarian radicals. Redlich's evidence suggests that American private bankers of the 1850s have more in common with the Canadian joint stock private banks of the 1830s than with the small-town private bankers of the latter part of the nineteenth century. American private banking peaked in the 1850s, when, according to Richard Sylla, "Unincorporated bankers had become so numerous as to be a real factor on American banking"[8]

American private banking seems to have been a greater factor in the ante-bellum period than after. Lance Davis attributes this development to anti-private bank legislation, and easier bank chartering laws in the United States, after the removal of prohibitory legislation against corporate banking in a number of states.[9]

While the Canadian private banks of the 1830s and the urban private bankers of the 1850s may have some counterparts in the United States, there do not seem to be any for the small-town private bankers of the post-1870 period. These banks were established within an economic structure dominated by large, chartered banks. None tried, nor seem to have desired, to issue banknotes: the chartered banks' notes, combined with Dominion of Canada notes, provided an adequate circulating medium. By contrast, American private banks often established themselves in the absence of any existing banking structure, particularly in `bankless' midwestern states such as Iowa, where banks were outlawed for a period of time.[10] The challenges of these American private banks were to create credit and to provide a circulating medium. Ontario small-town private banks faced the challenge of making credit readily available, and providing convenient access to the payments system.

Ontario can be considered a `bankless' entity only in the period before the 1820s. By the 1850s it cannot even be considered as underbanked, at least in the sense that applied in the American midwest. In 1857 there were chartered bank offices in 42 towns, many of which had competitive service.[11] Outside of these towns, though, there was a dearth of banking facilities, a situation that persisted into the 1870s and 1880s, and became more aggravating as smaller hinterland communities developed. Full banking services existed; the problem for farmers and residents of small towns was one of convenient accessibility, rather than one of availability. Hinterland residents considered a day's trip to transact banking business an unacceptable burden. The collapse in the late 1860s of three of the four largest chartered banks doing business in the province, the effects of which were felt most strongly at the periphery, stimulated general resentment against chartered banks, and consequently the desire for alternate banking arrangements in small towns. A niche existed in the financial system, and small-town private bankers were able to fill it. This was a niche unique to the circumstances of banking in Ontario at the time, and the small-town private banking industry that exploited it has no precise counterpart outside the province.

At its peak, the private banking industry assumed significant proportions in Ontario. From the mid=1870s until the end of the century almost half the banking offices in the province were private. Because chartered bank offices tended to be concentrated in the larger towns, many of which had two or more offices, private banks provided service in a greater number of municipalities. More than 600 firms operated as private banks at some point during the lifetime of this industry, with as many as 160 open at any one time.

It is both surprising and understandable that this industry has received relatively little notice by economic historians. This situation is not unique to Ontario's private banks: Richard Sylla has noted that "The private or unincorporated banker is a shadowy and often neglected figure in writings on economic and financial history."[12] Despite the overall size of the industry, and the dominance of some private bankers in particular communities, few private bankers enjoyed a public profile much beyond their own communities. The industry itself was totally unregulated, with no requirements for reporting to the government, and no obligations to issue financial statements to depositors or the public. Private bankers did not try to organize themselves into an association until 1902, when a half-hearted effort was stillborn. Very few personal papers or financial records of private banks have survived, and those that do exist are widely scattered. Perhaps most importantly, the impact of private banking was not felt at the macroeconomic level. General managers of chartered banks, even those having significant dealings with private banks, never mentioned them in their annual statements on economic affairs, nor did other commentators on business matters. Those at the centre of the financial system viewed them as an integral and indiscernible component of the hinterland economy and the rises and declines in the mercantile, agricultural, manufacturing, and commodity movement activities within it. The control and direction of credit came from the centre. Later commentators and historians have picked up this macroeconomic bias, relying on aggregate figures for analysis of changes in banking activity and economic growth. Private banks are represented in the aggregate figures only to the extent that their borrowings from chartered banks are represented in the totals of bank assets.

From the time of its establishment in 1891, the Canadian Bankers Association emphasized the slow but steady growth of Canadian banking and the branch systems of the chartered banks. The country's most prominent bankers in the late nineteenth century developed this same theme in their public utterances. However, growth of the branch system was anything but slow and steady. In some periods the chartered banks closed more branches than they opened in Ontario's small towns. They spent decades developing functional reporting and supervision systems. They suffered difficulties in securing competent bankers whose loyalties to head office exceeded those to their communities. They encountered hostility in many communities, both to large organizations in general and to Montreal-based banks in particular.

Private banks appeared in communities where an entrepreneur saw a business potential in banking. Notwithstanding the local origins of private banks, the chartered banks played a major role in shaping the industry, and to a large extent controlled its size and course. Some of the chartered banks cultivated a closer relationship with private banks than others. The policies of the Bank of Montreal in the 1860s and 1870s, when it periodically withdrew credit from hinterland Ontario in order to invest in more profitable activities such as call loans on Wall Street, were the impetus for a number of Ontario businessmen to begin private banks to ensure a more reliable source of credit in their communities. The Merchants Bank, in the years when George Hague served as its general manager, fostered and sustained a great many Ontario private banks. On taking over direction of the Merchants Bank, Hague cut back on the Ontario branch system, and began supporting private banks with lines of credit. In a short time the Merchants Bank was supporting a vast chain of private banks, far more than any other chartered bank. The Bank of Montreal and Molson's Bank also built up substantial, though smaller, networks of client private banks (see Appendix B).

Although supporting large numbers of private banks obviated the administrative difficulties of extensive branch systems, they did not come without their own set of problems. The collapse of Thomas Fawcett's chain of private banks in 1884 underscored the importance of close supervision of private bank credit for Fawcett's supporting banks, the Bank of Montreal and the Merchants Bank. The upstart Federal Bank, based in Toronto, was less discriminating in its choice of clients. During the mid 1880s it actively promoted private banks, many of which failed when the Federal Bank collapsed and went into voluntary liquidation in 1888.

Like its growth, the demise of private banking resulted from the policies of the chartered banks. The aggressively expansionist Sovereign Bank in particular viewed private bank takeovers as the quickest and easiest way to build a functioning branch system in the competitive climate of the post-1898 period. The takeover policy of the Sovereign Bank prompted other chartered banks to acquire private banks, both as a defensive measure and to pursue their own branch expansion programs. The Merchants Bank, which had been a strong supporter of private banking under George Hague, revised its policy under Hague's replacement, Thomas Fyshe. After 1898 it slowly curtailed its support of private banking, buying out a number of its former private bank clients.

It is notable that the chartered banks were not unanimous in their attitude to private banking, and that their policies appear to reflect the management styles and philosophies of their various general managers. George Hague became an enthusiast after he accepted the top position at the Merchants Bank in 1878. Interestingly, in his previous position as general manager of the Bank of Toronto he had had no involvement with private banks. He took over the Merchants Bank when it was in a precarious state, and he seems to have seen the support of private banks as a way to maintain this bank's strong presence in hinterland Ontario while reducing its expenses and risk exposure. It is not possible to determine the chartered bank connections of all private banks, but of the 90 connections that can be established in 1885, 35 were with the Merchants Bank. Ten years later, the Merchants Bank had 41 of 110 known connections. Despite some unsatisfactory experiences with particular private banks, Hague remained a champion of them all his life, believing that a well capitalized private banker, enjoying the confidence and respect of his community, could always have a place in the banking system. This position was consistent with Hague's distrust of vast branch systems. He believed the general manager should deal directly with branch managers, and that adding intermediate levels of supervision would render a chartered bank unworkable, as well as adding unnecessary expense. In his view, the optimum size for a chartered bank was in the order of 40 branches.[13] There can be no doubt that private banking in Ontario evolved the way it did due in large part to the policies of George Hague.

The other outstanding Canadian banker of the latter half of the nineteenth century, B.E. (later Sir Edmund) Walker of the Bank of Commerce, regarded private banks as a vestige of a past age, even in the years when they were at their peak. Walker was the only prominent banker with career experience in a private bank: he began his career in the 1860s in the Hamilton exchange offices of John Murton and George Lee. Unlike Hague, Walker was prepared to pioneer new and more elaborate management structures. He saw no upper limit to the optimum size of a chartered bank. Under Walker, the Bank of Commerce supported only a small handful of private banks, as many as nine in 1895, but normally only about a half dozen.

Of the late nineteenth century general managers, Wolferstan Thomas of Molson's Bank seems to have been Hague's only disciple. By 1895 at least 16 Ontario private banks had connections with Molson's Bank, the second highest total after the Merchants Bank. Thomas accepted private bank clients very cautiously, and he had an excellent loss record with them. Only one of the Molson's Bank's private bank connections failed. The Bank of Montreal maintained connections with about 15 private banks. Most of these connections were established early in the development of the private banking system, during the terms of R.B. Angus and C.F. Smithers as general manager. The Bank of Montreal suffered major losses with the failure of Fawcett's private bank empire and with other failures in the early 1880s. It added very few, if any, private bank clients to its system after 1881, the period when W.J. Buchanan, and later Edward Clouston, occupied the top administrative position at the bank.[14] Although reluctant to add new private bank clients, the Bank of Montreal continued its existing relationships under Buchanan and Clouston.

The Merchants Bank, Molson's Bank, and the Bank of Montreal together accounted for about two-thirds of the connections between private and chartered banks. Most of the other chartered banks doing business in the province cultivated private bank clients, but all on a very limited basis. These banks, it would appear, did not view private bank connections as either desirable or profitable. The diversity of opinion among the senior bankers of the country underlines the fact that there was no generally accepted model in the banking sector for tapping growth and development in the hinterland.

The chartered banks introduced procedures, reporting systems, and personnel policies in the last two decades of the nineteenth century that, incrementally, made branch system supervision more efficient. Indeed, by the mid-1890s there seemed to be a belief that the branch network had reached its maturity. B.E. Walker told an American audiences in 1895 that there was "no country in the world so well equipped with banking facilities as Canada," and the country was "in danger of the results of over-competition."[15] In the eight years after these words were uttered, the number of Canadian branch banks would triple, and the total in Ontario would rise from 260 to 420.[16] Clearly, the policies of Canada's leading bankers could change rapidly. They were quick to take advantage of innovations that reduced the minimum size for a profitable branch. By the turn of the century there was a belief in the banking industry that streamlining procedures and encouraging innovations was one of the major responsibilities of a bank's head office.[17] These innovations, internally within each bank, and externally through such changes as the acceptance of all banknotes at par and the establishment of clearing houses, not only made branch banks easier to supervise and cheaper to operate, but also chipped away at the cost advantages of private banks, and isolated them from direct participation in the payments system.

c. Private Banking, Local Development, and Entrepreneurship

Apart from their place in the evolving financial system, individual private banks played significant roles in local and regional economies.[18] The typical small-town private banker entered the industry at an advanced stage in his career, after notable achievements in other lines of business. In many instances, the local private banker was also the most significant local entrepreneur, operating successfully as a merchant, grain dealer, lumberman, or miller.

The most obvious way that private banking fostered the local economy can be demonstrated by those bankers who were involved in commodity movement. These commodity dealers/bankers are analogous to the ubiquitous merchant bankers described by Fritz Redlich.[19] Hinterland grain dealers (and a few lumber dealers) applied their own accumulated capital to credit creation. Farmers would be paid for grain, and encouraged to deposit at least some of the money in the dealer-controlled bank. The dealer would then have money available to pay a second farmer. There remain unanswerable questions about this process: Were payments made in cash or by cheque? Did the dealer/banker place special conditions on his purchases of commodities? Did some of them issue promissory notes in payment for grain, which circulated locally as proxy banknotes? There is not enough evidence available to solve these mysteries.

In the overall picture of local and regional development, the commodity dealer/banker represents an early stage, and his activities are not a good marker for the totality of developmental activity. Mercantile enterprises, the processing of agricultural products, and manufacturing must also be considered.

Regrettably, much of the evidence for the ways that local private banks fostered manufacturing and other enterprises is anecdotal and inferential, rather than quantitative, and conclusions are more suggestive than definitive. Nevertheless, there is some financial data. For example, from their surviving books, it is clear that J.C. Dale of Madoc acted as the banker for the majority of the cheese factories in north Hastings County, and Vaughn and Fairbank of Petrolia stood at the centre of a local economy that recycled oil revenues into a variety of local enterprises that diversified Petrolia's industrial base. The evidence indicates that similar situations existed in dozens of other communities. Many private bankers retained interests in other business ventures that were themselves major customers of their banks. They employed the credit creating ability of deposits in their banks to expand these businesses. Other private bankers, though, considered it unwise to be involved directly in outside ventures. The uses made of the credit created by deposits in the latter group of banks is less clear. The evidence is fragmentary, but covers a wide range, including farm mortgages, real estate, the discounted bills and notes of retailers, and industrial enterprises. Private bankers displayed a ready willingness to tailor their granting of credit to suit the particular requirements of their communities. It is notable that few private bankers deployed their credit outside their localities. The exception to this characteristic was the allure of land purchases, apparently speculative, in western Canada. When distant investments did occur, they may indicate a lack of safe opportunities for credit deployment in the bank's own locality as much as a desire for quick speculative profits.[20]

Small town private bankers were well suited to provide credit lines for the small shop industrialization that occurred in Ontario during the 1870s and 1880s.[21] The growth of small enterprises became particularly strong in the 1880s.[22] Significantly, this was also the decade of greatest prosperity for the private banking industry. The number of manufacturing establishments in the province peaked in 1891, at about 32,000.[23] The subsequent growth of larger scale enterprises in the 1890s and especially after 1900, with their vastly increased demands for fixed and working capital, excluded private bankers from a role in their finances. The diminishing importance of small scale industry parallels the stagnation experienced by private banking in the 1890s.

While it is clear that private banks deployed the bulk of their credit in their own localities, the overall amount of this credit is not known. Private bankers could accelerate economic activity in several ways. They made their own accumulated capital available to others in their community. Through the money they borrowed from chartered banks, they dispersed capital accumulated elsewhere in the financial system. In other words, they acted as funnels for the transfer of capital into undeveloped areas. The deposit taking activity is particularly important in creating available credit and increasing purchasing power.[24] In soliciting deposits, private bankers drew money out of mattresses, and through loans they put it into circulation in their communities. By fostering the use of cheques, deposits also enlarged the local money supply.

The lack of sufficient financial data makes the quantification of private bank credit creation virtually impossible. Deposit totals are known for only a handful of banks. In the 1890s these ranged from about $10,000 (in the case of J.C. Smith and Co. of Seaforth) to over $100,000 (Mowat and Co. of Stratford, Vaughn and Fairbank of Petrolia, and C.W. Anderson of Oakville). Most fall into the $20,000 to $50,000 range.[25] If we assume the lower middle of this range ($30,000) to be typical, the private banks open during the 1890s, numbering between 145 and 154, would have had at least $4,500,000 in aggregate deposits, and probably much more. By comparison, the Bank of Commerce had total deposits of $16,400,000 in 1892, the Bank of Hamilton $4,500,000, and the Traders Bank $2,400,000.[26] Not all these private bank deposits can be considered as additions to the credit creating base of the financial system. Some would have been displaced from chartered banks and building societies. While the latter factor reduces the significance of private banks, in the sense that they provided a service that was obtainable elsewhere, the aggregate deposit and loan totals of private banks are absent from aggregate financial figures for the nineteenth century.

Estimating the aggregate loan totals is even more difficult than deposits. Although the combined net worth of private bankers (as opposed to private banks) can be placed, using credit agency data, within upper and lower limits, the proportion of this capital deployed in banking is not known. Many private bankers employed only a portion of their capital in their banks. Another source of private bank funds, loans from chartered banks, is also unknown. Authorized credits for some private banks are found in the Directors' Minutes of the Merchants Bank, but there is no indication that the full amounts were borrowed, or whether there were seasonal variations to these borrowings. The chartered bank connections to private banks are not a guide either, because some private banks rarely borrowed. Instead, they used their chartered bank connection for access to the payments system. Finally, there is the fact that private banks loaned on a wide variety of security, and their loan portfolios therefore do not correspond directly to those of chartered banks.

Nevertheless, a crude estimate can be made of the amount of private bank money available for credit. Combining the minimum estimate of deposits, at $4,500,000 for 1892, for example, with the minimum estimate of the capital strength of private bankers, at $3,700,000,[27]and allowing a 30% margin for other investments by these men, the figure is in excess of $7,000,000 for 1892. This estimate of the amount of credit generated by private banks, it should be emphasized, is a very conservative one. As well, it does not take into account money borrowed from chartered banks. By comparison, the Bank of Commerce had current loans in March 1892 of $16,550,000, and the Bank of Toronto of $10,600,000. All other Ontario-based chartered banks ranked at or below the $7,000,000 level.[28]

One more factor regarding credit creation should be considered. Being partially independent of the chartered banking system, private banks could buffer the effects of economic cycles and tight money in their communities. From time to time some of the chartered banks froze or curtailed their lending in rural Ontario. To the limits of their ability, private banks could compensate for this loss of credit. Conversely, a business reversal suffered by a particular private bank or a downturn in economic activity in a particular community could have an exaggerated effect if the private banker dominated local financial activity. This effect would be felt in the extreme in the case of a private bank failure. For these reasons, economic cycles in individual communities could depart significantly from that for the province as a whole.

Apart from the value of private bank credit generation in small-town economies, the bankers themselves played important roles as entrepreneurs. Private banking prospered at the time when corporate entrepreneurship was replacing individual entrepreneurship in North America. In the broadest definition, the entrepreneur is an individual who can operate a business successfully in a climate of innovation and change.[29] There has long been a popular image of the entrepreneur, fostered by many individual entrepreneurs themselves, as a visionary risk-taking adventurer. In truth, the vast majority of entrepreneurs seek to avoid risk, and most successful entrepreneurship concerns adaptation to modest change and incremental innovation.[30] In its early phase the Ontario private banking industry as a whole was characterized by innovation. Though not a radically new idea, the concept of private banking as it developed in the province was indeed an innovation to the financial system, exploiting a major unfilled niche.

The ownership of Ontario private banks rested in sole proprietorships and partnerships. In those banks owned by partnerships (very few private banks had more than two partners), one of the partners normally dominated the policies and day-to-day management of the bank. Those partnerships where more than one partner attempted to take an active role usually resulted in friction between the partners.[31] Thus, the personality and business style of the proprietor or dominant partner are vital considerations in the study of private banking.[32] With such a disparate group of hayseed capitalists, there is no such thing as the prototypical or archetypical private banker. The industry owed its initial existence to singleminded, individualistic entrepreneurs, most with no experience in banking. Many began their careers in activities where they demonstrated entrepreneurial ability, and their individual backgrounds coloured the way they functioned as bankers. All, or at least the successful ones, must be considered in terms of their relationships in their local business communities.[33] In this respect the entrepreneurial private bankers were the direct opposite of the professional career-minded managers of the chartered banks. The vocational private banker, whose strength was his experience and skill rather than his capital, did not appear until late in the evolution of the industry, and when he did appear, he was still the hireling of local entrepreneurs.

The local ties of the private banker were extremely important, particularly in the early years of private banking, when chartered banks were regarded in the hinterland as arrogant, urban institutions, and their local managers as men with no appreciation of local communities. B.E. Walker, in 1895, admitted that these had once been faults of chartered banks: "In those days, perhaps, the great banks were too autocratic, had not been taught by competition to respect fully the wants of each community."[34] Private bankers built and retained their business not only for the convenience of their locations, but for the way the private banker conducted the business, offering more flexibility in security, repayment schedules, amount of credit, and numerous intangibles, that chartered banks were unable to provide. Local histories and obituaries of private bankers are filled with stories of private banks supporting manufacturers, farmers and merchants through cyclical economic downturns and individual crises, often at cost and risk to themselves. The entrepreneurial goals of these bankers went beyond financial success. Their actions appear rational only when the social and ethical dimensions are considered.[35] Most devoted considerable time and money to volunteer organizations, and many served terms as councillors, reeves, and mayors. At least three served as elected Members of Parliament, and several more sat in the provincial House.

The entrepreneurial style characteristic of private banking carried with it an element of paternalism, that, by the turn of the century, had acquired an old-fashioned flavour. The limited aspirations of most private bankers and their strong sense of localism grew separate from the trends in the economy to larger scale enterprises, branch plants, and the integration of financial and distribution networks. Innovation and entrepreneurial expertise no longer characterized the small-scale firms that private banks had once supported. Small-town capitalists with the financial strength to enter private banking preferred other investments. In banking, all the innovation was on the side of the chartered banking system, leaving private banks with shrinking spheres in which to operate profitably. After 1900 a handful of successful private bankers continued to play the part of patriarchs in their communities, retaining the support and patronage of a large, though usually declining, segment of their communities. The chartered banks recognized the strength of these loyalties when they attempted to integrate private bank personnel into their networks after takeovers. But there were no younger private bankers waiting in the wings to take the place of the older ones, and young men with an interest in banking sought the greater opportunities available in the chartered banking system. In the process they were willing to subordinate their personal goals to corporate ones.

One marker for the diminishing of entrepreneurial skills in private banking is the flurry of private banks that were bought and sold on the open market, beginning in the 1890 era. These sales signalled that private banking required a set of skills that were not bound to a particular community, but could be transferred from one community to another. In other words, managerial ability, rather than innovative entrepreneurial skills or a local business background, become a prime requirement of the successful private banker. The personnel policies of the chartered banks had, for decades, incorporated the notion that banking skills were transferable. With total strangers being solicited to come to small towns to purchase banks, localism was obviously on the wane. As well, private banks, or at least those being sold on the open market, were relying less on public deposits for their funds and more on their own capital and borrowings from chartered banks.

Private banking in the 1870s had been the embodiment of the small town entrepreneurial spirit. Thirty years later, private banking had become the old fashioned way of doing business.

d. Private Banking and Metropolitan Relationships

A recurring theme in the course of development of nineteenth century banking was the complaint of neglect voiced by people in the hinterland. Governments and financial reformers advanced various monetary and banking proposals to redress this grievance. A number of banking innovations attempted to respond to and remedy these grievances: the joint stock banks of the 1830s, Hincks's free banking proposal of the 1850s, down to the ill-fated Farmers Bank of the early twentieth century. The government chartered a number of banks with the explicit aim of increasing bank accessibility in the hinterland. Several of these, the Royal Canadian, for example, attempted to raise as much capital as possible in hinterland towns and to deploy it in loans in proportion to the stock purchased. None of the chartered banks that pursued a blatantly hinterland orientation enjoyed sustained success.

Complaints of lack of banking facilities came from businessmen, farmers, and politicians. Once a chartered bank commenced business, it was forced to act as part of the Ontario financial system, and to do this effectively in the nineteenth century, a head office in either Montreal or Toronto was a necessity. Grumbling about big city bankers favouring their big city friends with credit became a popular explanation for the slow progress of hinterland. The banks, though, seldom acted in ways that provided an undo preference to their home cities. Nor can their corporate policies be viewed in the light of Toronto-Montreal rivalry.[36] To succeed and to maximize profitability, their lending decisions had to be made on a sound financial basis. For example, the Merchants Bank supplied credit through branches in many Ontario towns that did the bulk of their commerce with Toronto. The Bank of Montreal, on the several occasions when it withdrew credit from Ontario, redeployed it in New York, not Montreal, and in the process worked against the interests of its Montreal customers who traded into Ontario.

The fact that metropolitan goals became subordinated to corporate ones is a consequence of three major factors: the relatively small number of Canadian banks and their large size, the example of Scottish banking methods and branch systems, and the fact that banking approached the status of a natural monopoly. No matter how many competitive banks existed, they had to cooperate to a considerable degree in the management of the currency of the country (their banknotes) and they had to operate a payments system. Early on, their common corporate goal became one of extending uniform banking facilities to all parts of the country. In this respect their aims were identical to those of the hinterland clamouring for banking facilities. The difficulties in meeting these aims were technological and administrative, and it took most of the nineteenth century to overcome them. The hayseed capitalists who embarked on private banking ventures in the 1870s and 1880s therefore provided an obvious interim step in the development of a seamless banking system.

The managerial revolution struck Canadian banking at a very early stage. Modern business appeared first in the United States on the railroads.[37] In Canada it emerged in the chartered banks. In both cases the reasons were similar. The size and complexity of the organizations required that professional managers have control not only of day-to-day routine, but also the major voice in plotting corporate strategy.

The first high ranking professional banker in Canada, Benjamin Holmes, cashier of the Bank of Montreal from 1827 to 1846, came not from the Montreal financial elite, but rose through the ranks from the position of discount clerk. Even as the top banker in Canada, he did not mix with the Montreal moguls outside the bank. Although a skilled and proficient banker, the directors of the bank deferred to him out of the force of his ability and his personality, which at times could be offensive to both customers and directors.[38] Nevertheless, Holmes pointed to the future course of bank management, which would see control, except for broad and major policy decisions, effectively vested in the salaried general managers, rather than presidents and directors.

All Canadian chartered banks had hired cashiers (or general managers) from the beginning, but the date at which the general manager became the dominant voice varied with each bank. George Hague exercised much more power as general manager of the Merchants Bank than he had in the same position at the Bank of Toronto.[39] At the Bank of Commerce, William McMaster exerted a dominant presence until his retirement in 1886, a role that his successor, William Darling, did not emulate. McMaster's retirement coincided with E.B. Walker's elevation to general manager. Very quickly, he restructured the administrative functions of the bank, creating the new position of assistant general manager, with specific duties for branch supervision, an area of the Bank of Commerce's business that had not been handled well during W.N. Anderson's administration and McMaster's presidency. To fill the new position of assistant general manager, Walker hired J.H. Plummer, a former Bank of Commerce employee, who had been Hague's assistant at the Merchants Bank. As well, Walker added the general manager's report to the annual statement.[40] Other banks began following this practice, and by 1890 the general manager's report, not the president's, had become the important one at the annual meeting.

Metropolitan loyalties meant nothing to senior bankers such as Hague, Plummer and Walker. They were professional bankers, and their loyalty was to the bank paying their salaries. Hague administered the Merchants Bank in Montreal no differently than if the head office were located in Toronto. Plummer moved easily from one bank to another, and from one city to another, a facility displayed by many other senior bankers. Walker, the epitome of the 'up through the ranks' banker, emphasized loyalty to his own bank through his personnel policies, and proudly stated in 1887 that most junior and senior officers were trained within the bank.[41] For the men who wished to follow in their footsteps, loyalty to the corporation, rather than to a place, formed the path to advancement. Small-town young men predisposed to a banking career could see that a chartered bank provided far better opportunities than the local private banker.

The failure of the various chartered banks that tried to establish branch systems aggravated anti-city sentiments, but it did not stem the desire of small communities for branch banks.[42] The refusal of the chartered banks to establish large numbers of small-town branches in the 1870s and 1880s allowed private bankers to establish themselves in communities where localism and boosterism were powerful forces. As well, the local private bank reinforced the local belief that individual small towns could deal with urban centres more or less on a level of equality.

For their part, the chartered banks were prepared to use whatever would help advance their corporate goals. Many chartered banks saw private banks as having a small role in achieving these aims. The Merchants Bank in particular valued them as part of its network. Although bankers as a group did not hold a high opinion of private banking in principle, they still supported them, and only rarely did they complain of private bank competition. In contrast, professional bankers complained vigorously about the Post Office Savings Bank, and the fact that the 4% interest it paid drove up all deposit rates, and consequently lending rates as well.[43] The preference of the chartered banks, after 1900, to take over private banks rather than drive them out of business demonstrates that it continued to make good sense to co-opt the local private banker in order to advance the corporate objectives of the chartered bank.

The Ontario small-town private banking industry smoothed the transition of the financial system in hinterland communities, serving as a proxy for an integrated branch system. It facilitated access for businessmen and farmers into the national distribution and financial systems, while allowing their communities a voice in the nature of their metropolitan relationships. The demise of private banking resulted from innovative cost and efficiency advantages of chartered bank branches. It occurred in a time of changing attitudes to large corporations, the eclipse of small-scale industry, and the end of the locally oriented economies that had originally fostered the hayseed capitalists who became small-town private bankers.

REFERENCES FOR CHAPTER IX

[1]Curiously, the functional impact of the Reciprocity Treaty escaped the notice of Adam Shortt. Donald C. Masters, *The Reciprocity Treaty of 1854* (Toronto, 1963), pp. 109-15, observes that the bulk of trade under the treaty was "trade of convenience;" that is, common items that could be purchased most conveniently across the border rather than from more remote domestic sources. Unfortunately, he does not hint at the financial transactions necessary to facilitate this trade.

[2]This subject is discussed in Chapter 1, *supra.* See also S.G. Checkland, *Scottish Banking: A History, 1695-1973* (Glasgow, 1975), especially pp. 127-141. For the understanding of the subject by a practical banker, see George Hague, *The Banking of Canada, as Connected with Its Trade and Commerce* (Ottawa, 1897), pp. 4-6.

[3]Fritz Redlich, "The Role of Private Banks in the Early Economy of the United States," *Business History Review,* 51 (Spring 1977), p. 92.

[4]Bray Hammond, *Banks and Politics in America* (Princeton, 1957), p. 68.

[5]*Ibid.,* p. 193.

[6]*Ibid.,* p. 626.

[7]Fritz Redlich, *The Molding of American Banking: Men and Ideas* (New York, 1968), pp. 60-84.

[8]Richard Sylla, "Forgotten Men of Money: Private Bankers in Early U.S. History," *Journal of Economic History,* 36 (March 1976), p.183.

[9]Lance E. Davis, "Comment on Paper by Sylla," *Journal of Economic History,* 36 (March 1976), p. 192.

[10]See, for example, Erling A. Erickson, "Money and Banking in a "Bankless" State: Iowa, 1846-1857," *Business History Review,* 43 (Summer 1969), pp. 171-191.

[11]*Lovell's 1857 Canada Directory.*

[12]Richard Sylla, "Forgotten Men of Money," p. 173.

[13]The best source for Hague's philosophy of bank management is his *Banking and Commerce* (New York, 1908), which is a treatise on practical banking with a brief memoir appended. Beginning in 1881, Hague's addresses at the annual meetings of

the Merchants Bank were regarded as important statements on the Canadian economy, and were printed verbatim in the *Monetary Times.* These addresses often contain brief but insightful remarks on Hague's administrative concepts.

[14]The Bank of Montreal's general managers during the private banking period were R.B. Angus (1869-1879), C.F. Smithers (1879-1881), W.J. Buchanan (1881-1890), and Sir Edward Clouston (1890-1911). Merrill Denison, *Canada' First Bank,* II (Toronto, 1967), p. 420.

[15]B.E. Walker, "The Canadian System of Banking," *Journal of the Canadian Bankers' Association,* 12 (January 1905), p. 143; 146.

[16]*Garland's Bank Directory, 1895;* "Number of Branches of Banks (By Province) on 1st Jan. 1903," *Journal of the Canadian Bankers' Association,* 10 (July 1903), p. 54.

[17]See, for example, A. Gordon Tait, "The Branches from the Vantage Point of Head Office," *Journal of the Canadian Bankers' Association,* 13 (1906), pp. 211-20.

[18]I am indebted to Lance E. Davis for the suggestion that roles of private banker in regional development should be considered quite apart from whatever role the private banking sector may have had in the overall evolution of banking. See Lance E. Davis, "Comment on Paper by Sylla," p. 192.

[19]Fritz Redlich, "The Role of Private Banks in the Early Economy of the United States," p. 92.

[20]Western land shows up regularly as an asset of failed banks. The purpose of these investments is rarely clear. Some of the earlier ones can be connected to the Winnipeg real estate boom of the early 1880s, but others were made much later, and may have been regarded by bankers as good long-term investments.

[21]Ian Drummond, *Progress Without Planning* (Toronto, 1987), pp. 103-08. The assessment and quantification of Ontario's industrial growth poses a number of problems. See pp. 353-55.

[22]*Ibid.,* p. 105.

[23]Jacob Spelt, *Urban Development in South Central Ontario* (Toronto, 1972), p. 170.

[24]A brief discussion of this subject is found in Fritz Redlich, "On the Origin of Created Deposits in the Commonwealth of Massachusetts," *Business History Review,* 43 (Summer, 1969), pp. 204-208.

[25]The majority of the deposit figures known are those on the books of failed private banks at the time of their suspension. These figures are therefore understated: most of these banks experienced a run on deposits, and closed when they ran out of liquid assets.

[26]"Statement of Banks, 31 Mar. 1892," *Monetary Times,* 22 Apr. 1892.

[27]This estimate is based on Dun and Wiman ratings. Its calculation is discussed in Chapter 7, *supra.*

[28]Statement of Banks, 31 Mar. 1892," *Monetary Times,* 22 Apr. 1892.

[29]This idea is developed by Thomas C. Cochran in "The Entrepreneur in Economic Change," *Behavioral Science,* 9, 2 (April, 1964).

[30]Yale Brozen, "Invention, Innovation and Imitation," *American Economic Review,* 41 (1951), pp. 239-257; H.G. Barnett, *Innovation: The Strategy of Economic Development* (New Haven, 1958).

[31] See Vaughn and Fairbank, Chapter 8, *supra.* Business disagreements between the partners resulted in the dissolution of Farran and Archibald in Elora. See correspondence from W.W. Farran to James Archibald, 1896-1900, Archibald-Marston Collection, Special Collections, University of Guelph. Only one bank seems to have been successful as a true partnership: Harrison and Rathburn of Glencoe, who claimed a close 34 year long business relationship with never a disagreement. See Glencoe *Transcript,* 2 Oct. 1902.

[32]In small business partnerships, one of the partners is normally dominant, exercising full control of day-to-day operations, and directing the long term course of the firm. See Harold Livesay, "Lilliputians in Brobdingnag: Small Business in Late Nineteenth Century America," in Stuart Bruchey, ed., *Small Business in American Life* (New York, 1980).

[33]The notion that the characteristics of entrepreneurship are culturally bound is developed in Thomas C. Cochran, "Cultural Factors in Economic Growth," *Journal of Economic History,* 20 (Dec. 1960), pp. 315-330.

[34]B.E. Walker, "The Canadian System of Banking," p. 145.

[35]There is increasing emphasis on the idea the non-financial aspects of small business must be studied in order to understand their place in the larger business system. Of particular interest for theoretical and methodological considerations are Francis E. Hyde, "Economic Theory and Business History: A comment on the Theory of Profit Maximization," *Business History,* 5 (1962), pp. 1-10; and K.A. Tucker, "Business History: Some Proposals for Aims and Methodologies," *Business History,*

14 (1972), pp. 1-16.

[36]The notion that Toronto built its banking industry to dominate the rest of the province and in rivalry with Montreal is one of the themes in Jacob Spelt, *Urban Development in South Central Ontario,* pp. 138-39, for example. Donald C. Masters, *The Rise of Toronto, 1850-1900* (Toronto, 1847), argues that rural Ontario developed on the rivalry of Toronto and Montreal.

[37]See Alfred D. Chandler, *The Visible Hand* (Cambridge, 1977), especially pp. 81-89; 94-121.

[38]Merrill Denison, *Canada's First Bank,* I, p. 294.

[39]Hague was brought in as general manager on the insistence of the Bank of Montreal, which had temporarily rescued the Merchants Bank; Hague's mission was to curb the excesses of Sir Hugh Allan, the President. Merrill Denison, *Canada's First Bank,* II, pp. 1'91-92.

[40]*Bank of Commerce, Annual Report,* 1886; 1887.

[41]*Bank of Commerce, Annual Report,* 1887.

[42]See Merchants Bank, Directors Minutes, for requests for branches from Ontario towns.

[43]The Canadian Bankers' Association kept up a steady campaign against the Post Office Savings Bank. See R. Gill, "Post Office Savings Banks," *Journal of the Canadian Bankers' Association,* 5 (July 1897). Chartered banks may have seen the Post Office Bank as a greater threat than private banks: by 1896 it held almost $47,000,000 in deposits.

APPENDICES

A. Ontario Private Bankers

Private banking firms in Ontario are listed here by town, with their opening and closing dates. The appearance of a firm on this list indicates that it was listed as a bank in a directory. Directories often defined 'bank' broadly, including private lenders and mortgage brokers, for example. Directory dates are considerd approximate; precise dates have been determined from other contemporary sources wherever possible. Changes in ownership and partnership have been listed as separate firms.

Years are shown in Italics where the precise date has not been determined.
*   Listing based on a single directory listing.
** Listing based on multiple directory listings, but unlisted by Dun and Wiman.

Acton	H.H. Kittredge	1880	1881	
	Acton Banking Co.	1881	1901	
Ailsa Craig	Hey & Co.	*1879*	1888	
	Mihell & Co.	*1879*	*1888*	
	Shipley & Co.	*1882*	1893	
	Owen & Co.	*1888*	1893	
	Joseph Rosser	*1899*		*
Albury	Aaron Pearson	*1888*	*1895*	**
Alexandria	McLennan & Brown	*1886*	1886	
Alliston	W.S. Fuller & Co.	1880	1884	
	Burk and Graham	*1887*	*1897*	
	Graham and Knight	*1897*	*1937*	
Alvinston	Fawcett's Bank	1876	1884	
	Lemon & Smith	1885	1886	
	Conn's Banking House	1885	1892	
	McIntyre & Nicoll	*1891*		*
	Davidson, Anderson & Co.	*1893*		
	Harrison & Rathburn	1894	1897	
	Archibald Douglas	1897	*1902*	
Amherstburg	Edward A. Irving	*1876*	*1878*	
	Johnston's Bank	1878	1883	
	Loftus Cuddy	1883	1891	
	Falls Bros.	1891	1893	
	Cuddy-Falls Co.	1893	1904	
Appin	John McEachren	*1882*	*1884*	**
Arkona	Fawcett's Bank	*1880*	1884	
	Joseph Wilcocks	*1896*	1904	
	G.N. Brown & Co.	*1914*		*
Arthur	J.M. Irwin	*1882*		*
	J.H. Hanns	*1879*	*1886*	
	Lillico's Banking House	*1881*	1890	
	J.Skerritt & Co.	1890	*1906*	
	P.M. Kirby	1895	*1906*	
	R.T. Smith	*1895*	1895	
Athens	A.Parish & Co.	*1888*	*1914*	
Atwood	J.W. Scott	*1895*	*1900*	

Aurora	J.L. Ross	1893	1900	
	J.M. Walton	1900	1917	
Aylmer	William Warnock	*1883*	1903	
	Murray's Bank	*1883*	*1900*	
	James Garrett	*1877*	*1878*	
	Daniel Stewart	*1877*	1878	
	A.A. Leslie	*1900*	*1902*	
Barrie	J.C. McKeggie & Co.	1879	*1900*	
	W. Thompson & Co.	*1877*	1883	
	Holt, Sons & Co.	*1879*	*1882*	
	C.H. Ross	*1887*	*1890*	
	T. Beecroft & Co.	*1901*	*1914*	
Beamsville	G.H. Hornibrook & Co.	*1897*	*1901*	
Beaverton	W.B. Tisdale	*1882*	*1885*	
	Black & Co.	1882	1892	
	B.Madill & Co.	1892	1902	
Beeton	Jackson Bros.	1891	*1894*	
	G.T. Somers	*1895*	*1902*	
Belle River	Nelson Chevalier	*1899*		*
Belleville	James W. Thompson	*1874*	1875	
	U.E. Thompson	*1879*	*1900*	
	Rathbun Co.	*1886*	*1888*	
Belmont	Adam Allison	1885	1891	
Berlin	J.M. Scully	*1882*	*1884*	**
	A.O. Boehmer & Co.	1890	*1895*	**
Blenheim	Jackson, Fuller and Co.	*1878*	1890	
	T. Fuller	1890	*1896*	
	R.J. Powell	*1897*	*1901*	
Blyth	Wilson's Banking Office	1878	*1879*	
	Lucas, Tanner & Co.	*1881*	1895	
	John Wilford	*1892*		*
	McMurchie & Rance	1895	*1917*	
Bolton	Vandusen and Fawcett	1899	1900	
	J.F. Warbrick	1900	1903	
Bothwell	Squire & Boughner	1873	1885	
	Loftus Cuddy	1885	1886	
	Clarke & Co.	1886	*1906*	
Bowmanville	Burk & Jones	1879	1883	
	Codd & Co.	1881	1883	
Bracebridge	Muskoka Banking Co.(Roper)	*1881*	1885	
	Alfred Hunt	*1884*	1898	
Brantford	W.H. Bacon	*1869*		
	Thomas Botham	*1879*	*1884*	
	Terrence Jones	*1879*	*1885*	
	Swaisland Bros.	1882	*1886*	
	E. Sims & Son	*1887*		*
	Harris, Cook & Co.	*1900*		*
Bridgeburg	R.G. Baxter	*1906*	*1910*	
Brigden	Lucas,Leacock & Co.	1879	1885	
	W.J. Ward & Co.	1885	1900	
	Vandusen & Fawcett	1900	1903	
Brighton	M.P. Ketchum	*1879*	*1892*	
Brimstons Cor.	Robert Weir	*1895*	*1899*	**

Brockville	G.T. Fulford & Co.	*1881*	*1901*	
	R.A. McLelland	*1896*	*1899*	**
Bruce Mines	Hurst & Burk	*1902*	*1910*	
Brussels	Harrison's Bank	*1876*	*1880*	
	McIntosh & McTaggart	1880	1892	
	Gillies & Smith	1892	*1896*	
Burford	Allen Muir	*1899*	*1902*	**
Burke's Falls	W.H. Matthews & Co.	*1899*	*1901*	
	Clay, Sharpe & Co.	*1901*	1904	
Burlington	R.G. Baxter	1890	*1902*	
Caledonia	Buck's Banking House	*1881*	*1882*	
	G.H. Hornibrook & Co.	*1902*	*1910*	
Camden East	James S. Haydon	*1892*	*1895*	
Cannington	Richard Edwards & Co.	*1873*	*1920*	
Cayuga	M. Minkler & Co.	*1881*	1883	
Chatham	Samuel Barfoot	*1870*	1895	
	Samuel F. Gardiner	*1870*	1884	
	William E. Gardiner	*1871*	*1873*	
	Edwin C. Rolls	*1879*	1882	
	Frederick Marx	*1880*	*1881*	
	A.B. McIntosh	*1880*	*1882*	
	Arthur Richardson	1880	*1890*	
	Robert O. Smith	*1878*	*1886*	
	Fifth Street Banking Office	*1883*		
	Merritt's Banking Office	1884	*1902*	
	Kitchen Bros.	*1888*		*
Chatsworth	John McDonald	*1894*	*1901*	
	Wm. Breese Jr.	1902	*1914*	
Chesley	Hay's Bank	*1879*	1881	
	J.H. Elliot & Co.	1881	1899	
Chesterville	L.W. Howard	1898	1899	
Chippawa	James F. Macklem	*1871*	*1914*	
Chute a Blond	John Conway	*1888*	*1899*	**
Clarksburg	Beaver Valley Banking Co.	1885	*1895*	
	Hartman & Wilgress	*1894*	*1917*	
	Holmes & Halliday	*1896*		*
Clifford	J.W. Scott	*1881*	*1901*	
Clinton	Wiseman Bros.	*1878*	*1879*	
	Tisdall and Gale	1880	1881	
	Johnston, Tisdall and Gale	1881	1883	
	Farran and Tisdall	1883	1900	
	J.P. Tisdall	1900	*1901*	
	Horatio Hale	*1881*	*1896*	
	Geo. D. McTaggart	1891	*1905*	
	McTaggart Bros.	*1905*	1927	
	M.D. McTaggart	1927	1932	
	G. Huxley	*1899*		*
Cobourg	House's Exchange Office	1845	*1899*	
	Burns & Co. Savings Office	1871	1874	
	W.T. Fish & Sons	*1888*	*1896*	
	James Clark	*1892*	*1895*	**
	S.S. Howell	*1892*	*1895*	**
	David Roberts	*1899*		*

Coldwater	J.C. McKeggie & Co.	1898	1900	
	J.L. Ross	1900	*1902*	
Comber	C.M. McLane	*1886*		*
	Westland & Nichol	1886	*1895*	
	C.W. Watson	*1892*	*1896*	
	Ainslie & Ainslie	*1897*	*1900*	
Connor	William Finlay	*1882*	*1884*	**
	George Howett	*1882*	*1888*	**
Consecon	W.A. Johnson	*1888*	*1899*	
Cookstown	Galbraith & Stoddart	*1900*		
	G.T. Somers & Co.	1899	*1906*	
Cornwall	N. Turner & Son	*1879*	1883	
Creemore	J.C. McKeggie & Co.	*1889*	1891	
	Burk & Graham	1890	1896	
	Graham and Knight	1896	*1900*	
Cressy	James G. Carson	*1892*	*1899*	
Dashwood	Snell & Co.	1888	1903	
Delhi	McMahon & Co.	*1898*	*1899*	
Deseronto	Rathbun & Co.	*1881*	*1896*	
Dominionville	John Tobin	*1895*		*
Drayton	Lillico's Banking House	*1880*	*1884*	
	Whealey & Schwendemain	1884	*1896*	
	J. Skerritt	1899	1901	
Dresden	Fawcett, Livingstone	*1878*	1884	
	Dresden Banking Co.	*1881*	1884	
	Hugh Currie	*1885*		*
	J.W. Sharpe	1888	1895	
	James Stephens	*1886*	*1899*	
	Charles W. Watson	*1897*	*1900*	
Drumbo	C.A. McMahon	*1898*	*1899*	
	Curry & Co.	*1900*	*1901*	
Duart	James D. Currie	1882	1883	
	Daniel Campbell & Co.	*1883*	*1884*	
	Ridley & Bury	*1886*	*1896*	
Dundalk	Wm. Lucas & Co.	1882	*1910*	
Dungannon	J.M. Roberts	*1895*	*1899*	**
Dunnville	W.F. Haskins & Co.	*1881*	*1906*	
Durham	J.A. Halstead & Co.	1880	1882	
	J.W. Rapley & Co.	1883	*1884*	
	Park & Co.	*1895*		
Dutton	Harrison & Rathburn	1880	*1881*	
	Black's Banking Office	*1879*	*1895*	
	A.M. McIntyre	*1884*	*1908*	
	Pool, Hockin & Co.	*1883*	*1885*	**
	James Pool	1892	1908	
	D.C. Clay & Co.	*1892*	*1896*	
	Mitton & McLean	1908	1912	
Edgeworth	James Stewart	*1888*		
Egmondville	H.R. Jackson	*1888*	*1892*	**
Ellengowan	Minorgan, Hopper & Co	*1888*		*
Elmira	Struthers' Banking House	*1879*	1881	
	Elmira Banking Co.	1881	1883	
Elmvale	J.C. McKeggie & Co.	1891	*1902*	

Elora	W.P. Newman & Co.	1874	1881	
	Johnston, Gale & Tisdall	1881	1883	
	Gale and Archibald	1883	1891	
	Farran and Archibald	1891	1897	
	W.W. Farran	1897	1904	
	John A. Graham	*1888*		*
Embro	Munro Banking House	*1889*	1908	
Erin	Erin Village Banking Co.	*1883*	1883	
	A. Richardson	*1890*	*1902*	
Essex	R.C. Struthers	1881	1891	
	Reid and Elliot	1891	1892	
	J.D. Anderson	1892	1899	
	Anderson, Patrick & Co.	1899	1900	
	J.D. Patrick & Co.	1900	*1900*	
	Edwin Dunstan	*1888*		*
	John Milne	*1888*	*1895*	**
Exeter	B.S. O'Neil	1877	*1901*	
Fenelon Falls	Denison, Westcott & Co.	*1881*	*1882*	
Fergus	Beattie's Banking House	1870	1897	
	G.D. Ferguson	*1886*	*1888*	
Ferguson	Alonzo Jaynes	*1892*	*1895*	**
Flesherton	William Lucas & Co.	1882	1884	
	Mitchell's Banking House	*1889*	1905	
Florence	Isaac Unsworth	1882	*1914*	
Fordwich	B.S. Cook	*1892*	*1899*	
Forest	M. Fleming	*1881*	1892	
	L.H. Smith	1873	1909	
Formosa	F.X. Messner & Co.	*1890*	1896	
Fort William	Ray, Street & Co.	1884	1911	
Galt	Siddall & Sons	1878	*1878*	
	J.M. Irwin (Galt Banking Co.)	*1883*	*1914*	
	Henry Main	*1886*	*1887*	**
Glencoe	Glencoe Bank (McTaggart)	1876	1878	
	Glencoe Bank (Swaisland)	1878	*1887*	
	Harrison & Rathburn	1877	1910	
	Cornell & White	*1889*		
	George Dobie & Co.	1890	1896	
	Clarke & Sons	*1898*		
Goderich	Wm. F.P. Smart	*1871*		*
	Andrew Waddell	*1871*		*
	Geo. B. Johnston	1873	1880	
	G.M. Trueman	*1879*		*
Gore Bay	Hurst & Burk	*1899*	*1914*	
Gorrie	Scott's Banking House	*1881*	1883	
	John Kaine	1883	1895	
	Gillies and Smith	1895	*1895*	
	W.G. Knowlson	*1899*		*
Graham	Gordon Bros.	*1914*		
Grand Valley	W.H. White	1883	1885	
	A. Richardson	1886	*1914*	
	Hamilton & Co.	*1892*	*1914*	
Gravenhurst	J.P. Cockburn	1881	*1882*	
	W.T. Hamer & Co.	*1898*	*1900*	

Green Valley	A.R. McDonald	*1888*		*
Guelph	H.D. Morehouse	*1871*	1879	
	Kerr & McKellar	1879	1882	
	Guelph Banking Co.	1882	1888	
	John Smith	*1888*	*1892*	
	Charles E. Howitt	*1879*	*1901*	
	G.A. Oxnard	*1890*	*1895*	
Hagersville	Squire & Boughner (Hagersville B C)	*1881*	*1883*	
	John Cowan	*1884*		*
	J.H. Salter	*1892*	*1914*	
Hainesville	John Spink	*1892*	*1899*	
	E. Johnston	*1899*		*
Hamilton	Josias Bray	1845	*1865*	
	Stinson's Bank	1847	1900	
	H.N. Titus	*1857*	*1858*	
	Hamilton, Davis & Co.	*1858*	*1863*	
	J.W. Murton	1859	1868	
	Lee & Co.	1867	1868	
	F.M. Willson	*1867*	*1871*	
	Archibald McKeand	1868	1872	
	Charles T. Jones	*1868*	*1884*	
	Taylor & Minty	1869	1874	
	Baker & Herbert	*1874*		
	Charles E. Morgan	*1874*	*1906*	
	J.C. Campbell	*1882*		
	C.M Counsell	1882	1895	
	Counsell, Glassco & Co.	1895	1900	
Hanover	McNally & Adams	*1881*	1899	
Harriston	Robinson & Robertson	*1879*	1883	
	Sam Robertson & Son	1883	1885	
	White's Banking Office	1885	*1889*	
Harrow	H.W. Allan	*1893*	*1894*	
	A.E. Sinesac	*1895*	1903	
Hastings	David Anderson	*1892*	*1895*	
Hawkesbury	Albert Kimball	*1888*		*
Hensall	Macarthur & Co.	*1881*	*1901*	
Hespeler	J.M. Irwin	1886	1888	
Highgate	Gillies & Reycroft	1885	*1895*	
	J.D. Gillies & Co.	*1896*	*1900*	
Hillsburgh	Alex. Richardson	*1905*	1905	
Huntsville	W.L.Matthews & Co.	1896	*1899*	
Ingersoll	Newlands Hayes	1875	1883	
	Robert Agur	*1870*	*1877*	
	J.C. Norsworthy	1878	*1895*	
	Minkler & Co.	*1876*	1879	
	A.N. Christopher	*1887*	1907	
Inwood	Gordon & Douglas	*1898*	1899	
	Archibald Douglas	1899	*1901*	
	Thomas Bros.	*1906*		
Iroquois	A.J. Ross	*1896*	*1900*	
Jarvis	John Cowan & Co.	*1881*	*1883*	
	J. Gordon & Co.	*1881*		*
	Ivey, Allen & Co.	*1891*	*1895*	

Josephburg	George Salm	*1899*		*
Keenansville	George P. Hughes	*1882*	*1890*	
	Robert Keenan	*1892*	*1899*	**
Kincardine	J.W. Rapley & Co.	*1879*	1894	
	John Boyer	1897	*1900*	
Kingston	Thomas Angel	*1862*		*
	W.C. Haven & Co.	*1862*	*1871*	
	Folger Bros.	*1865*	*1900*	
	Isaac Simpson	*1866*	*1900*	
	J.C. Clark	*1871*		*
	Alex Bamford	*1873*		
	J.B. Carruthers	*1881*	*1900*	
	Donald Fraser	1881	1895	
	Mills & Kent	*1888*	*1889*	
	Kent Bros.	1890	*1915*	
	Mills & Cunningham	*1891*	*1915*	
	C.L. Curtis	*1896*	*1899*	
Kingsville	Smart's Banking House	*1882*	*1899*	
	Fraser Westcott	*1890*	*1899*	
	J.F. DeJean	*1892*		*
	Mackay and Jasperson	*1897*	*1899*	
	B. Jasperson	*1899*	*1914*	
Lakefield	James Linton & Co.	*1895*	*1900*	
Lancaster	McPherson & Alexander	*1879*	*1884*	
Leamington	Marten, Whyte & Co.	*1879*	1885	
	Jackson, Fuller and Co.	*1879*	1881	
	Thomas Fuller	1881	1898	
	Marten Bros.	1885	*1887*	
	Maxon & Maxon	*1892*	*1917*	
Lindsay	J.H. Sootheran	*1892*	*1896*	
Listowel	J.W. Scott	1873	*1917*	
	McDonald's Bank	*1879*	*1889*	
	Peter Lillico	*1880*	1890	
	Hay's Banking House	1881	*1887*	
Liverpool	John Reed	*1886*	*1892*	
	Robert Secker	*1895*		*
London	Taylor's Bank	1864	1883	
	Joseph Jeffrey	*1869*	1870	
	H.F. McDonald & Co.	1870	*1876*	
	F.S. Clarke	*1874*	*1886*	
	Thomas W. Smart	*1875*	*1876*	
	Johnston, Mahon & Co.	*1875*	*1880*	
	Mahon Banking Co.	*1880*	1883	
	Blakeney & Hellmuth	*1881*	*1884*	
	T.A. Kirkpatrick	1886	1888	
	D.D. Smith	*1892*	*1899*	
	A.S. Emory	*1896*		*
Lucan	R.H. O'Neil & Son	1876	*1899*	
	R. & J. Fox	1883	1902	
Lucknow	J. Siddall & Son	1877	1878	
	Cameron & Campbell	1878	1888	
	Mair and Siddall	1888	1905	
Lynden	John Baird	*1889*	*1914*	

Madoc	E.D. O'Flynn & Sons	1877	1903	
	J.C. Dale & Co.	1890	1914	
Markdale	Wm. Lucas & Co.	1880	1918	
	McCullough & Young	1890	1918	
Markham	Joseph Wales	*1892*	*1899*	
Marmora	A.W. Carscallen	*1889*	1904	
Meaford	C.H. Jay & Co.	1895	*1906*	
	James Gardiner	*1899*		*
	Johnson & Robertson	*1890*	*1896*	
Merlin	James Stewart	*1899*	*1901*	
	James N. Halliday	*1900*		
Middleville	William Stead Sr.	*1882*	*1892*	
Mildmay	Porteous Banking Co.	*1881*		
	Carrick Banking Co.	*1882*	1896	
Millbank	John Grundman	*1886*		*
Millbrook	Millbrook Banking Co.	*1881*	1884	
	T.B. Collins & Co.	*1889*	*1909*	
	Wood, Kells & Co.	*1881*	1904	
Milverton	W.U. Little & Co.	*1899*		*
	Ranney & Co.	*1896*	1906	
Mitchell	Mitchell Banking Co.	1879	1884	
	J.W. Cull	*1892*	*1895*	
	F.B. Holtby & Co.	*1895*	*1901*	
Morpeth	John Kitchen	*1888*	*1895*	
Morrisburg	Thomas Dardis	*1871*	*1893*	
	A.G. Munroe	*1892*	*1899*	
Mount Forest	J.A. Halstead & Co.	1877	1904	
	Robinson & Robertson	1881	1884	
	Sam Robertson and Son	1884		
	Clarke & Co.	1896	*1906*	
	G.L. Allen	1919		*
Napanee	Rathbun Co.	*1889*	*1896*	
New Hamburg	W.J. Ward & Co.	1880	1884	
	Denison & Crease	1878	1883	
	Jacob Ratz	*1884*		
Newmarket	Richard Flood & Co.	*1879*	*1882*	
	E. Rowland & Co.	*1880*	*1882*	
Niagara Falls	Pierce, Howard & Co.	*1879*	*1890*	
	Henry Preston	*1879*	*1897*	
Niagara	E.R. Denison	1900	*1902*	
Norwich	C.O. Rapelie & Co.	*1884*	*1886*	
Norwood	J.G. Fitzgibbon & Co.	1888	*1895*	
Oakville	Scott's Banking House	1880	1884	
	Andrew & Howarth	*1881*	*1900*	
	C.W. Anderson & Co.	*1889*	1902	
Oil Springs	Robert Rae	1889	1905	
Orangeville	J.A. Halstead & Co.	*1879*	1879	
	Fead & McAdam	*1881*	*1894*	
	Lewis, Waugh & Co.	*1894*	*1906*	
Orillia	A.W. Gordon	*1879*	1887	
	J.C. Smith	*1888*	*1895*	
	Tisdale & Wade	*1892*	1898	
	W.B. Tisdale	1898	*1910*	

Orono	Orono Banking House	1880	*1893*	
	James Linton & Co.	*1890*	1902	
Oshawa	Thomas Conant	*1892*		*
Ottawa	Bebbington, Dean & Co	*1890*		*
	Machray & Co.	*1890*		*
	P.I. Bazin	*1895*	*1901*	
	J.H. Dube & Co.	*1906*	*1917*	
Otterville	Robert Paxton	1888	1911	
Owen Sound	J.P. Raven	1889	*1918*	
	Geo. S. Kilbourn	*1888*	*1911*	
	W.P. Telford & Co.	1884	1906	
Paisley	Porteous & Saunders	1877	1896	
Pakenham	William Halliday	*1901*		
Palmerston	J.W. Scott	*1879*	1908	
	Anderson & Scott	*1892*	1902	
	Gamble and White	*1879*	*1889*	
Parkhill	Henry Mann	*1872*		
	H.H. Kittredge	1873	1878	
	Henry Allin	1878	*1882*	
	T. Langford Rogers	1882	1902	
	A. McTaggart & Co.	*1873*	*1895*	
Parry Sound	J.M. Ansley	*1888*		*
Pembroke	Hector Fraser	1880	1881	
Penetanguishene	H.H. Thompson	*1884*	*1896*	
Peninsular Lake	W.B. Osborne	*1895*		*
Peterborough	Thomas Menzies	*1879*	1883	
	Mulholland & Roper	1889	1898	
Petrolea	Vaughn & Fairbank	1869	1924	
	Edward Kirby	*1880*		*
	Truman Vanderlinder	*1898*	*1899*	
Picton	Chas. S. Wilson	*1882*	*1899*	
	A.S. Carson	*1884*	*1895*	
Plattsville	W.J. Ward & Co.	*1881*	*1882*	
	John K. Currey	*1892*	*1895*	
Port Arthur	Ray, Street & Co.	1884	*1914*	
Port Dover	Ontario Financial Co.	1902	*1906*	
Port Elgin	H.A. Allen	1878	1894	
	Thomas Chambers	*1892*		*
Port Hope	S. Patterson (Midland Finacial)	1861	1898	
Port Perry	D. & D. Adams	*1886*	*1910*	
Port Rowan	C.S. Killmaster	1869	1919	
	T.B. Dedrick & Co.	*1888*	*1901*	
Preston	Preston Banking Co. (Checkley)	*1883*	*1901*	
Providence Bay	David Johnston	*1884*	*1886*	
Rat Portage	Alloway & Champion	*1890*	1891	
Ridgetown	Ridgetown Bank	*1877*	*1880*	
	Elliot-Baker Banking Co.	*1881*	*1882*	
	Elliot & Co.	*1883*	*1883*	
	Elliot and Westland	*1884*	*1892*	
	Elliot and Co.	*1893*	*1902*	
	John Whyte & Co.	*1879*	*1886*	
Ripley	Cameron & Campbell	1880	*1881*	
	Bruce Banking House (Jackson Bros.)	1886	1903	

	Thos. Yeaman	*1890*		
Rodney	S.B. Morris & Co.	1884	*1917*	
	T.W. Kirkpatrick	*1884*	*18955*	
Rosenthal	J.S.J. Watson	*1895*		*
Sarnia	Baby's Banking House	1870	1892	
	M. Fleming	*1872*	1892	
	William McCaul	*1873*	*1880*	
	W.J. Ward	*1892*		
	Thomas H. Cook & Co.	1892	*1917*	
	W.J. Ward	1900	*1914*	
Schomberg	Garrett Brown	*1888*	*1895*	
	J. Hollingshead	*1899*		*
Seaforth	J.C. Smith & Co.	1888	1897	
	M.P. Hayes	1880	1883	
	Logan & Co.	1884	1897	
	H.A. Strong & Bro.	*1883*		*
Shelburne	J.A. Halstead & Co.	*1880*	1904	
	J.F. Miller & Co.	*1896*	1904	
	Miller, Mason and Co.	1904	1906	
	Charles Mason & Co.	1906	*1931*	
Simcoe	H. Groff	*1885*	1898	
	E.Y. Grassett & Co.	*1887*	*1888*	
Sioux Lookout	Gordon Bros.	*1914*		
Solmesville	D.B. Solmes	*1892*	*1899*	
Sombra	Smith & Co.	*1906*	1906	
South Woodslee	Anderson, Patrick & Co.	*1899*		
Southampton	Belcher & Co.	*1892*	*1896*	
Springfield	William McIntosh	*1879*	*1886*	
	James Black	*1888*		*
	Humphrey Johnson	*1898*	*1917*	
St. Augustine	Charles Miller	*1892*	*1899*	
St. Catharines	D. Curtis Haynes	*1871*	1875	
	James McEdward (exchange)	*1874*	*1877*	
	Samuel L. St. John	*1874*	1881	
	W.G. Nichols	*1882*		*
	L.H. Collard	*1877*	*1910*	
St. George	J.P. Lawrason	*1884*	1903	
St. Mary's	Guest's Bank	*1875*	1877	
	G. McIntyre & Sons	*1880*	1899	
	R.Box & Son	*1895*	*1914*	
St. Thomas	Gilbert's Bank	1874	1876	
	Rowley & Co.	*1877*		*
	Claris Banking House	*1877*	*1896*	
	George Morton	1884	*1899*	
	W.E. Idsardi	*1896*		
Stayner	J.C. McKeggie	1880	1899	
	Rogers & Co.	1880	1894	
Stirling	Parker Bros.	1891	1903	
	Faulkner's Banking House	*1881*	1891	
Stouffville	Miller & Co.	*1881*	1893	
	Miller, Stark & Co.	1893	1895	
	Stark & Williamson	1895	1897	
	Stark & Barnes	1897	1902	

Stratford	Mowat's Bank	1874	1899	
	Redford and McDonald	1867	1876	
	William Buckingham	*1879*	1882	
	James Hogg	*1879*		*
	Trow & Sons	*1882*	*1898*	
Strathroy	L.H. Smith & Co.	*1870*	*1906*	
	Johnston's Bank	1868	1883	
	James Manson	1872	*1914*	
	E.Rowland & Co.	1876	*1917*	
Sunderland	Dobie & Co.	*1888*	*1900*	
	J.B. Ballentyne	*1896*	*1902*	
Sutton	Miller & Bourchier	*1888*	*1895*	
	Richard T. Sturbridge	*1910*	*1929*	
Tara	Hay's Banking Office	1881	*1883*	
	W. Vandusen	1884	1900	
Teeswater	Kittredge Bros.	1876	1884	
	J.H. Mathews	*1882*	*1884*	**
	W.B. Tisdale	1884	1890	
	Mair and Smith	1890	1892	
	Gillies and Smith	1892	1905	
Thamesville	Fawcett, Livingstone & Co.	*1881*	1884	
	Mayhew & Harmer	1885	*1921*	
	J. & R. Ferguson	*1888*	*1899*	
Thedford	Lemon & Smith	1884	*1886*	
	Robert Rae	1878	*1905*	
	Jacob Fuller	*1895*	1904	
	Thomas Parkinson	*1910*	*1914*	
Thessalon	Hurst & Burk	*1898*	*1917*	
Thornbury	W.O. Smith & Co.	*1881*	1884	
	Hartman & Wilgress	*1896*	1897	
	Hartman & Co.	1897	*1900*	
Tilbury	James Stewart	1883	1910	
	Kippen & Scarff	*1895*	*1900*	
Tilsonburg	Newlands Hayes	*1873*	*1874*	
	E.C. Jackson	*1887*	*1888*	
	Harrison & McTaggart	1880	1884	
Tiverton	H,A. Allen	*1881*	*1882*	
	Joseph C. Graham	1890	1897	
Toronto	C.J. Campbell	*1868*	1869	
	Campbell & Cassels	1869	1875	
	Brown's Bank	*1868*	1870	
	William Paterson & Co.	*1870*	*1874*	
	Forbes & King	*1871*	*1882*	
	H.J. Morse & Co.	*1871*	*1874*	
	Robert Beaty & Co.	*1871*	*1901*	
	Phipps & Co.	*1871*	*1882*	
	Philip Browne & Co.	*1871*	*1892*	
	R.H. Brett & Co.	*1872*	1884	
	Blaikie & Alexander	*1873*	1875	
	Hodgetts & Charles	*1874*		
	S. Shaw Jr.	*1878*	*1884*	
	A. Willis	*1878*		
	Alexander and Stark	1875	1882	

	Cassels & Sons	*1879*	*1890*	
	Gzowski & Morse	*1879*		
	J.H. Stewart	*1881*		
	Kerr & MacKellar	*1881*	*1882*	
	Gzowski and Buchan	1881	1888	
	John Stark & Co.	1882	*1900*	
	Forbes and Lownsbrough	1884		
	Lownsbrough & Co.	*1888*	*1895*	
	C.S. Gzowski jr.	1888	*1890*	
	Alexander & Fergusson	1888	*1890*	
	Burk & Graham	*1895*	*1896*	
	G.W. Yarker	*1895*	*1899*	
	John Morison	*1896*	*1899*	
	F.J. Walsh	*1899*		
	Thomas H. Cook	*1914*		
Tottenham	Fuller & Co.	*1881*	*1882*	
	Henry Stone & Co.	*1882*	*1888*	
	J.M. Bastedo & Co.	*1883*	*1888*	
	Hood & Jacks	*1889*		
	H.C. Aitken	1889	1892	
	George P. Hughes	*1884*	1903	
Trenton	Stewart's Banking House	*1880*	*1910*	
	Parent & Co.	*1899*		*
Tweed	Murphy, Gordon & Co.	*1890*	*1898*	
	Faulkner's Banking House	*1890*	*1895*	
	Tweed Banking Co.	1889	1889	
Unionville	J. Stephenson & Co.	*1889*	*1900*	
Uxbridge	Gordon & Co.	1880	1883	
	W.S. Black & Co.	1883	1889	
	I.J. Gould & Co.	1887	1908	
Walkerton	H.R. Sharp	*1882*		*
	J.A. Halstead & Co.	*1879*		
Wallaceburg	Fawcett, Livingstone & Co.	*1879*	*1882*	
	Steinhoff & Lillie	1879	1894	
	Gillard & Riddell	*1888*	*1895*	
Wardsville	Fawcett, Livingstone & Co.	*1881*	1883	
	John Shaw & Co.	1883	1887	
Waterdown	W.O. Sealey	*1888*	*1895*	
Waterford	M. Minkler & Co.	1879	1883	
	L. Becker & Co.	1883	1894	
	N.H. Cowdry	1897	1903	
	J. Matchett	*1908*	*1914*	
Watford	Campbell's Bank	1869	1884	
	Fawcett's Bank	*1874*	1884	
	Thomas Fuller	1885	1886	
	G.H. Wynne's Banking House	1886	1900	
	J.B. Wynne	1900	1906	
	Thomas & Kenward	1890	1899	
Weissenburg	Joseph Zinger	*1892*		*
Welland	Pew's Banking House	*1881*		
West Lorne	Watson & Brien	*1892*		
	Skinner Bros.	*1892*	*1893*	
	Munro's Bank	*1872*	*1882*	

Westport	W.J. Webster	*1895*	*1900*	
Wheatley	Anderson, Patrick & Co.	1899	*1900*	
Wiarton	G.W. Ames & Co.	1880	1903	
Winchester	D.F. Sutherland	*1885*	*1924*	
Windsor	McGregor Bros.	1863	1877	
	Frazer & Johnston	*1875*	*1876*	
	R.O. Smith	*1880*		*
	Curry and Bro.	*1876*	*1886*	
	Cameron & Curry (Essex Cty. Bank)	*1886*	*1902*	
	John Curry and Co.	*1902*	1906	
	F.J. Holton & Co.	*1897*	*1906*	
Wingham	Scott's Banking House	1871	1884	
	Willson's Bank	*1876*	*1881*	
	Robert McIndoo	*1879*	*1899*	
	Halsted & Scott	1890	1896	
	A.E. Smith	1896	1906	
	Thomas Holmes & Son	*1903*	*1906*	
Woodbridge	J.G. Hallett & Co.	*1892*	*1907*	
Woodstock	Oxford Banking Co.	1881	1884	
	T.H. Parker	*1892*	*1898*	
	James Sutherland	*1881*	*1886*	
Woodville	Edwards & Co.	1892	1916	
Wroxeter	J. Williams & Co.	*1880*		
Wyoming	Fawcett's Bank	*1878*	1884	
	Alfred Westland	*1886*	1893	
	W.B. Collins & Co.	1893	*1897*	
	Alfred Westland	*1897*	1904	
Yarker	B.S. O'Laughlin	*1914*		
Zurich	Macarthur & Co.	*1898*	*1899*	
	Snell & Co.	*1899*	1903	

B. Chartered Bank Connections of Ontario Private Banks

These listings include the known connections between private banks and chartered banks, through lines of credit, correspondent arrangements, and connections for the operation of payments.

i. 1885

chartered bank	*private bank*	*town*
BNA	Stanley Patterson	Port Hope
Central	Black and Co.	Beaverton
Commerce	C.S. Killmaster	Port Rowan
Commerce	Carrick Banking Co.	Mildmay
Commerce	L. Becker and Co.	Waterford
Commerce	L.H. Collard	St. Catharines
Commerce	R. and J. Fox	Lucan
Commerce	Rogers and Co.	Stayner
Federal	Andrew and Howarth	Oakville
Federal	Harrison and Rathburn	Glencoe

Federal	Hey and Co.	Ailsa Craig
Federal	J. Whyte and Co.	Ridgetown
Federal	J.C. McKeggie	Stayner
Federal	J.M. Irwin	Galt
Federal	Marten, Whyte and Co.	Leamington
Federal	Preston Banking Co.	Preston
Federal	Robinson and Robertson	Harriston
Federal	Squire and Boughner	Bothwell
Federal	W.F. Haskins	Dunnville
Hamilton	Acton Banking Co.	Acton
Hamilton	Fead and McAdam	Orangeville
Hamilton	H. Groff	Simcoe
Imperial	A.M. McIntyre	Dutton
Imperial	Miller and Co.	Stouffville
Merchants	Black's Banking Office	Dutton
Merchants	Cameron and Curry	Windsor
Merchants	Conn's Banking House	Alvinston
Merchants	Loftus Cuddy	Amherstburg
Merchants	E.D. O'Flynn and Sons	Madoc
Merchants	Gale and Archibald	Elora
Merchants	Farran and Tisdall	Clinton
Merchants	G.W. Ames and Co.	Wiarton
Merchants	H.A. Allen	Port Elgin
Merchants	Isaac Unsworth	Florence
Merchants	J.A. Halstead and Co.	Mount Forest
Merchants	J.A. Halstead and Co.	Shelburne
Merchants	J.H. Elliot and Co.	Chesley
Merchants	Jackson, Fuller and Co.	Blenheim
Merchants	Thomas Fuller	Leamington
Merchants	James Stewart	Tilbury
Merchants	Lillico's Banking House	Arthur
Merchants	Loftus Cuddy	Bothwell
Merchants	M. Fleming	Forest
Merchants	M. Fleming	Sarnia
Merchants	McDonald's Bank	Listowel
Merchants	McIntosh and McTaggart	Brussels
Merchants	McNally and Adams	Hanover
Merchants	Mihell and Co.	Ailsa Craig
Merchants	Murray's Bank	Aylmer
Merchants	Peter Lillico	Listowel
Merchants	Porteous and Saunders	Paisley
Merchants	Rathbun Co.	Deseronto
Merchants	Ray, Street and Co.	Fort William
Merchants	Ray, Street and Co.	Port Arthur
Merchants	Samuel Barfoot	Chatham
Merchants	Stewart's Banking House	Trenton
Merchants	T.W. Kirkpatrick	Rodney
Merchants	U.E. Thompson	Belleville
Merchants	W. Vandusen	Tara
Molson's	Cameron and Campbell	Lucknow

Molson's	Elliot and Co.	Ridgetown
Molson's	Harrison and Rathburn	Glencoe
Molson's	J.C. Norsworthy	Ingersoll
Molson's	John Shaw and Co.	Wardsville
Molson's	L.H. Smith and Co.	Forest
Molson's	L.H. Smith and Co.	Strathroy
Molson's	Lucas, Tanner and Co.	Blyth
Molson's	W.J. Ward and Co.	Brigden
Molson's	Wm. Lucas and Co.	Dundalk
Molson's	Wm. Lucas and Co.	Markdale
Montreal	A. McTaggart and Co.	Parkhill
Montreal	Beattie's Banking House	Fergus
Montreal	G. McIntyre and Sons	St. Mary's
Montreal	Hay's Banking House	Listowel
Montreal	House's Exchange Office	Cobourg
Montreal	J.H. Hanns	Arthur
Montreal	J.W. Scott	Clifford
Montreal	J.W. Scott	Listowel
Montreal	J.W. Scott	Palmerston
Montreal	Logan and Co.	Seaforth
Montreal	Mowat's Bank	Stratford
Montreal	Rathbun and Co.	Deseronto
Montreal	S.B. Morris and Co.	Rodney
Montreal	T. Langford Rogers	Parkhill
Montreal	Vaughn and Fairbank	Petrolea
Ontario	Andrew and Howarth	Oakville
Ontario	Orono Banking House	Orono
Ontario	W.S. Black and Co.	Uxbridge
Standard	Gamble and White	Palmerston
Toronto	A.W. Gordon	Orillia
Toronto	Rogers and Co.	Stayner

ii. 1895

chartered bank	*private bank*	*town*
BNA	J.C. McKeggie and Co.	Elmvale
BNA	J.C. McKeggie and Co.	Stayner
BNA	J.C. McKeggie and Co.	Barrie
BNA	J.C. McKeggie and Co.	Creemore
BNA	Stanley Paterson	Port Hope
Commerce	C.S. Killmaster	Port Rowan
Commerce	Carrick Banking Co.	Mildmay
Commerce	J.C. Dale and Co.	Madoc
Commerce	J.C. Smith and Co.	Seaforth
Commerce	J.G. Fitzgibbon and Co.	Norwood
Commerce	J. Skerritt and Co.	Arthur
Commerce	L.H. Collard	St. Catharines
Commerce	R. and J. Fox	Lucan

Commerce	T.B. Collins and Co.	Millbrook
Dominion	A.W. Carscallen	Marmora
Dominion	Alfred Hunt	Bracebridge
Dominion	B. Madill and Co.	Beaverton
Hamilton	A. Richardson	Grand Valley
Hamilton	Acton Banking Co.	Acton
Hamilton	H. Groff	Simcoe
Hamilton	McCullough and Young	Markdale
Imperial	A.M. McIntyre	Dutton
Imperial	Dobie and Co.	Sunderland
Imperial	George Morton	St. Thomas
Imperial	H.H. Thompson	Penetanguishene
Imperial	Smart's Banking House	Kingsville
Imperial	W.F. Haskins and Co.	Dunnville
Merchants	Jackson Bros.	Ripley
Merchants	Cameron and Curry	Windsor
Merchants	Clarke and Co.	Bothwell
Merchants	Cuddy-Falls Co.	Amherstburg
Merchants	E.D. O'Flynn and Sons	Madoc
Merchants	Farran and Archibald	Elora
Merchants	Farran and Tisdall	Clinton
Merchants	G.W. Ames and Co.	Wiarton
Merchants	Geo. S. Kilbourn	Owen Sound
Merchants	Halstead and Scott	Wingham
Merchants	Isaac Unsworth	Florence
Merchants	J.A. Halstead and Co.	Mount Forest
Merchants	J.A. Halstead and Co.	Shelburne
Merchants	J.C. Graham	Tiverton
Merchants	J.H. Elliot and Co.	Chesley
Merchants	J.M. Irwin	Galt
Merchants	J.P. Lawrason	St. George
Merchants	J.W. Sharpe	Dresden
Merchants	Thomas Fuller and Co.	Leamington
Merchants	James Stewart	Tilbury
Merchants	John McDonald	Chatsworth
Merchants	Kippen and Scarff	Tilbury
Merchants	Mayhew and Harmer	Thamesville
Merchants	McNally and Adams	Hanover
Merchants	Mulholland and Roper	Peterboro
Merchants	Murray's Bank	Aylmer
Merchants	Parker Bros.	Stirling
Merchants	Robert Porteous	Paisley
Merchants	Ranney and Co.	Milverton
Merchants	Rathbun Co.	Deseronto
Merchants	Ray, Street and Co.	Fort William
Merchants	Ray, Street and Co.	Port Arthur
Merchants	Ridley and Bury	Duart
Merchants	Samuel Barfoot	Chatham
Merchants	Stewart's Banking House	Trenton
Merchants	Thomas Fuller	Blenheim

Merchants	Tisdale and Wade	Orillia
Merchants	U.E. Thompson	Belleville
Merchants	W. Vandusen	Tara
Merchants	Westland and Nichol	Comber
Merchants	Wynne's Banking House	Watford
Molson's	Alfred Westland	Wyoming
Molson's	Burk and Graham	Creemore
Molson's	Burk and Graham	Alliston
Molson's	Cameron and Campbell	Lucknow
Molson's	Elliot and Co.	Ridgetown
Molson's	Harrison and Rathburn	Glencoe
Molson's	James Pool	Dutton
Molson's	L.H. Smith	Forest
Molson's	McMurchie and Rance	Blyth
Molson's	Munro Banking House	Embro
Molson's	Robert Paxton	Otterville
Molson's	S.B. Morris and Co.	Rodney
Molson's	Smart's Banking House	Kingsville
Molson's	Thomas and Kenward	Watford
Molson's	W.J. Ward and Co.	Brigden
Molson's	Wm. Lucas and Co.	Dundalk
Molson's	Wm. Lucas and Co.	Markdale
Montreal	Beattie's Banking House	Fergus
Montreal	G. McIntyre and Sons	St. Mary's
Montreal	Gillies and Reycroft	Highgate
Montreal	House's Exchange Office	Cobourg
Montreal	I.J. Gould and Co.	Uxbridge
Montreal	J.W. Scott	Atwood
Montreal	J.W. Scott	Clifford
Montreal	J.W. Scott	Listowel
Montreal	J.W. Scott	Palmerston
Montreal	Logan and Co.	Seaforth
Montreal	Mowat's Bank	Stratford
Montreal	Rathbun Co.	Deseronto
Montreal	S.B. Morris and Co.	Rodney
Montreal	T. Langford Rogers	Parkhill
Montreal	Vaughn and Fairbank	Petrolea
Ontario	Andrew and Howarth	Oakville
Standard	B. Madill and Co.	Beaverton
Standard	Gillies and Smith	Teeswater
Standard	John Baird	Lynden
Standard	John Kaine	Gorrie
Standard	Mills and Cunningham	Kingston
Toronto	George Dobie and Co.	Glencoe
Toronto	J.L. Ross	Aurora
Toronto	Thomas H. Cook and Co.	Sarnia
Traders	James Linton and Co.	Orono
Traders	L.H. Smith	Forest

iii. 1902

chartered bank	*private bank*	*town*
BNA	J.C. McKeggie and Co.	Elmvale
BNA	J.C. McKeggie and Co.	Fenelon Falls
Commerce	C.S. Killmaster	Port Rowan
Commerce	Hamilton and Co.	Grand Valley
Commerce	J.C. Dale and Co.	Madoc
Commerce	J.D. Gillies and Co.	Teeswater
Commerce	J. Skerritt and Co.	Arthur
Commerce	L.H. Collard	St. Catharines
Commerce	R. and J. Fox	Lucan
Commerce	T.B. Collins and Co.	Millbrook
Dominion	A.W. Carscallen	Marmora
Dominion	B. Madill and Co.	Beaverton
Hamilton	A. Richardson	Erin
Hamilton	A. Richardson	Grand Valley
Hamilton	McCullogh and Young	Markdale
Hamilton	C.W. Anderson and Co.	Oakville
Hamilton	Anderson and Scott	Palmerston
Imperial	Stark and Barnes	Stouffville
Imperial	W.F. Haskins & Co.	Dunnville
Merchants	A.E. Smith	Wingham
Merchants	Jackson Bros.	Ripley
Merchants	Cameron and Curry	Windsor
Merchants	Clarke and Co.	Bothwell
Merchants	Cuddy-Falls Co.	Amherstburg
Merchants	E.D. O'Flynn and Sons	Madoc
Merchants	W.W. Farran	Elora
Merchants	G.W. Ames and Co.	Wiarton
Merchants	Geo. S. Kilbourn	Owen Sound
Merchants	Isaac Unsworth	Florence
Merchants	J.A. Halstead and Co.	Mount Forest
Merchants	J.A. Halstead and Co.	Shelburne
Merchants	J.M. Irwin	Galt
Merchants	J.P. Lawrason	St. George
Merchants	J.P. Tisdall	Clinton
Merchants	James Stewart	Tilbury
Merchants	John McDonald	Chatsworth
Merchants	Mayhew and Harmer	Thamesville
Merchants	Parker Bros.	Stirling
Merchants	Ranney and Co.	Milverton
Merchants	Ray, Street and Co.	Fort William
Merchants	Ray, Street and Co.	Port Arthur
Merchants	Stewart's Banking House	Trenton
Merchants	Tisdale and Wade	Orillia
Merchants	U.E. Thompson	Belleville
Merchants	J.B. Wynne	Watford

Molson's	Alfred Westland and Co.	Wyoming
Molson's	Graham and Knight	Creemore
Molson's	Graham and Knight	Alliston
Molson's	Elliot and Co.	Ridgetown
Molson's	Harrison and Rathburn	Glencoe
Molson's	James Pool	Dutton
Molson's	L.H. Smith	Forest
Molson's	McMurchie and Rance	Blyth
Molson's	James Munro	Embro
Molson's	Robert Paxton	Otterville
Molson's	S.B. Morris and Co.	Rodney
Molson's	W.J. Ward	Sarnia
Molson's	Wm. Lucas and Co.	Dundalk
Molson's	Wm. Lucas and Co.	Markdale
Montreal	Clay, Sharpe and Co.	Burke's Falls
Montreal	J.D. Gillies and Co.	Highgate
Montreal	I.J. Gould and Co.	Uxbridge
Montreal	J.F. Warbrick	Bolton
Montreal	J.W. Scott	Clifford
Montreal	J.W. Scott	Listowel
Montreal	J.W. Scott	Palmerston
Montreal	T. Langford Rogers	Parkhill
Montreal	Vaughn and Fairbank	Petrolea
Ontario	Andrew and Howarth	Oakville
Standard	B. Madill and Co.	Beaverton
Standard	John Baird	Lynden
Standard	Mills and Cunningham	Kingston
Toronto	J.M. Walton	Aurora
Toronto	Thomas H. Cook and Co.	Sarnia
Traders	James Linton and Co.	Orono
Traders	L.H. Smith	Forest
Union	D.F. Sutherland	Winchester

C. Ontario Private Bankers, Ranked in Order of Financial Strength

Compiled from *Dun and Wiman Mercantile Reference Book.*

i. March 1892

firm	*town*	*financial strength ($1,000s)*	*credit worthiness*
Rathbun Co.	Deseronto	1,000+	high
James Stinson	Hamilton	750-1,000	good
Essex County Bank	Windsor	300-500	high
Vaughn and Fairbank	Petrolia	200-300	high
Folger Bros.	Kingston	125-200	high

J.W. Scott	Listowel (branches at Clifford and Palmerston; partner with Halsted at Mount Forest and Shelburne)	125-200	high
J.A. Halsted	Mount Forest (branch at Shelburne)	125-200	high
James Trow and Son	Stratford	125-200	high
Steinhoff and Lillie	Wallaceburg	125-200	high
Acton Banking Co.	Acton	75-125	high
Loftus Cuddy	Amherstburg	75-125	high
James F. Macklem	Chippawa	75-125	high
Farran and Tisdall	Clinton	75-125	high
Farran and Archibald	Elora	75-125	high
L.H. Smith and Co.	Forest (branch at Strathroy)	75-125	high
E.D. O'Flynn and Sons	Madoc	75-125	high
C.W. Anderson and Co.	Oakville (partner in Anderson and Scott, Palmerston)	75-125	high
Robert Porteous	Paisley	75-125	high
Doble and Co.	Sunderland	75-125	high
I.J. Gould and Co.	Uxbridge	75-125	high
L. Becker and Co.	Waterford	75-125	high
Ray, Street And Co.	Port Arthur (branch at Fort William)	75-125	good
R.A. Baby	Sarnia	75-125	good
H.H. Groff	Simcoe	75-125	fair
G.T. Fulford and Co.	Brockville	40-75	high
R.C. Struthers	Essex Centre	40-75	high
James H. Smart	Kingsville	40-75	high
R. and J. Fox	Lucan	40-75	high
Wood, Kells and Co.	Millbrook	40-75	high
James Manson	Strathroy	40-75	high
J.C. McKeggie and Co.	Barrie (branches at Elmvale, Stayner, and Creemore)	40-75	good
Alfred Hunt	Bracebridge	40-75	good
J.H. Elliot and Co.	Chesley	40-75	good
F. House	Cobourg	40-75	good
Midland Financial Co.	Port Hope	40-75	good
E. Rowland and Co.	Strathroy	40-75	good
W. Vandusen	Tara	40-75	good
Carrick Financial Co.	Mildmay	20-40	high
H.H. Thompson	Penetanguishene	20-40	high
H.A. Allen	Port Elgin	20-40	high
Michael Fleming	Sarnia (branch in Forest)	20-40	high
W. Mowat and Son	Stratford	20-40	high
G.W. Ames and Co.	Wiarton	20-40	high
Alfred Westland	Wyoming	20-40	high
A. Parish And Son	Athens	20-40	good
W.E. Murray	Aylmer	20-40	good
Clarke and Co.	Bothwell	20-40	good
McIntosh and McTaggart	Brussels	20-40	good
Whealy & Schwendemain	Drayton	20-40	good
James Stephens	Dresden	20-40	good
Macarthur and Co.	Hensall	20-40	good
Thomas Fuller	Leamington (branch at Blenheim)	20-40	good
A.W. Carscallen and Co.	Marmora	20-40	good
T.B. Collins and Co.	Millbrook	20-40	good
D. and D. Adams	Port Perry	20-40	good

Jackson Bros.	Ripley	20-40	good
S.B. Morris and Co.	Rodney	20-40	good
J.P. Lawrason	St. George	20-40	good
Logan and Co.	Seaforth	20-40	good
Miller and Co.	Stouffville	20-40	good
James Stewart	Tilbury	20-40	good
R.H. O'Neil	Lucan	20-40	fair
U.E. Thompson	Belleville	10-20	high
B. Madill and Co.	Beaverton	10-20	high
W.J. Ward	Brigden	10-20	high
W.F. Haskins and Co.	Dunnville	10-20	high
A.N.C. Black	Dutton	10-20	high
B.S. O'Neil	Exeter	10-20	high
Isaac Unsworth	Florence	10-20	high
McNally and Adams	Hanover	10-20	high
J.S. Fead	Orangeville	10-20	high
T.W. Kirkpatrick	Rodney	10-20	high
S.B. Morris and Co.	Rodney	10-20	high
Rogers Banking Co.	Stayner	10-20	high
W.O. Seeley	Waterdown	10-20	high
Burk and Graham	Alliston (branch at Creemore)	10-20	good
Conn and Co.	Alvinston	10-20	good
Lucas, Tanner and Co.	Blyth	10-20	good
Westland and Nicol	Essex Centre	10-20	good
Ridley and Bury	Duart	10-20	good
John Beattie	Fergus	10-20	good
J.M. Irwin	Galt	10-20	good
John Kaine	Gorrie	10-20	good
A. Richardson	Grand Valley (branch at Erin)	10-20	good
Gilles and Reycroft	Highgate	10-20	good
A.N. Christopher	Ingersoll	10-20	good
J.W. Rapley and Co.	Kincardine	10-20	good
Donald Fraser	Kingston	10-20	good
Mair and Siddall	Lucknow	10-20	good
William Lucas and Co.	Markdale (branch at Dundalk)	10-20	good
Orono Banking House	Orono	10-20	good
A. McTaggart and Co.	Parkhill	10-20	good
C.S. Killmaster	Port Rowan	10-20	good
W. B. Tisdale	Teeswater	10-20	good
George P. Hughes	Tottenham (branch at Keenansville)	10-20	good
Stewart's Banking House	Trenton	10-20	good
Stephenson and Co.	Unionville	10-20	good
Robert McIndoe	Wingham	10-20	good
G.T. Owen	Ailsa Craig	5-10	good
Charles E. Morgan	Hamilton	5-10	good
G.H. Howard and Co.	Niagara Falls	5-10	good
Andrew and Howarth	Oakville	5-10	good
James Linton and Co.	Orono	5-10	good
Robert Paxton	Otterville	5-10	good
J.W. Sharpe	Dresden	5-10	fair
T. Westcott	Kingsville	5-10	fair
Elliot and Westland	Ridgetown	5-10	fair
McCullough and Young	Markdale	3-5	good
Henry Preston	Niagara Falls	3-5	good

George Mitchell	Flesherton	3-5	fair
G.H. Wynne	Watford	3-5	fair
L.H. Collard	St. Catharines	3-5	unrated
G.S. Killbourn	Owen Sound	unrated	limited
Adam Allison	Belmont	unrated	unrated
R.G. Baxter	Burlington	unrated	unrated
J.C. Norsworthy	Ingersoll	unrated	unrated
Thomas Dardis	Morrisburgh	unrated	unrated
Checkley and Co.	Preston	unrated	unrated
Hood and Jacks	Simcoe	unrated	unrated
Tweed Banking House	Tweed	unrated	unrated

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firm	*town*	*financial strength ($1,000s)*	*credit worthiness*
Cuddy-Falls Co.	Amherstburg	300-500	high
Vaughn and Fairbank	Petrolia	300-500	high
Essex County Bank	Windsor	300-500	high
J.W. Scott	Listowel (branches at Clifford and Palmerston; partner with Halsted at Mount Forest and Shelburne)	200-300	high
L.H. Smith and Co.	Forest (branch at Strathroy)	125-200	high
E.D. O'Flynn and Sons	Madoc	125-200	high
Folger Bros.	Kingston	125-200	high
Ray, Street And Co.	Port Arthur (branch at Fort William)	125-200	good
Acton Banking Co.	Acton	75-125	high
Vandusen and Fawcett	Brigden	75-125	high
J.P. Tisdall	Clinton	75-125	high
W.W. Farran	Elora	75-125	high
C.W. Anderson and Co.	Oakville (partner in Anderson and Scott, Palmerston)	75-125	high
W.F. Haskins and Co.	Dunnville	50-75	good
J.C. McKeggie and Co.	Elmvale (branch at Fenlon Falls)	50-75	good
S.B. Morris and Co.	Rodney	50-75	good
I.J. Gould and Co.	Uxbridge	50-75	good
McTaggart Bros.	Clinton	40-50	high
Ainslie and Ainslie	Comber	40-50	high
Harrison and Rathburn	Glencoe	40-50	high
Maxon and Maxon	Leamington	40-50	high
Wood, Kells and Co.	Millbrook	40-50	high
R. and J. Fox	Lucan	40-50	good
J.C. Dale and Co.	Madoc	40-50	good
Andrew and Howarth	Oakville	40-50	good
E. Rowland and Co.	Strathroy	40-50	good
Murphy, Gordon and Co.	Tweed	40-50	good
B. Madill and Co.	Beaverton	20-40	high
A.W. Carscallen and Co.	Marmora	20-40	high
J. Skerritt and Co.	Arthur	20-40	good
William Warnock	Aylmer	20-40	good
McMurchie and Rance	Blyth	20-40	good
B.S. O'Neil	Exeter	20-40	good
A. Richardson	Grand Valley (branch at Erin)	20-40	good

J.H. Salter	Hagersville	20-40	good
A.J. Ross	Iroquois	20-40	good
John Boyer	Kincardine	20-40	good
T.B. Collins and Co.	Millbrook	20-40	good
D. and D. Adams	Port Perry	20-40	good
Parker Bros.	Stirling	20-40	good
Gillies and Smith	Teeswater	20-40	good
James Stewart	Tilbury	20-40	good
G.W. Ames and Co.	Wiarton	20-40	good
Clarke and Co.	Bothwell	20-40	fair
U.E. Thompson	Belleville	10-20	high
J.L. Ross	Coldwater	10-20	high
Isaac Unsworth	Florence	10-20	high
Charles E. Morgan	Hamilton	10-20	high
Lewis, Waugh and Co.	Orangeville	10-20	high
William Halliday	Pakenham	10-20	high
L.H. Collard	St. Catharines	10-20	high
Burk and Graham	Alliston (branch at Creemore)	10-20	good
G.T. Somers	Beeton (branch at Cookstown)	10-20	good
Hartman and Co.	Clarksburg (branch at Thornbury)	10-20	good
James Pool	Dutton	10-20	good
Munro Banking House	Embro	10-20	good
Mair and Siddall	Lucknow	10-20	good
John Baird	Lynden	10-20	good
William Lucas and Co.	Markdale (branch at Dundalk)	10-20	good
W.B. Tisdale	Orillia	10-20	good
James Linton and Co.	Orono (branch at Lakefield)	10-20	good
C.S. Killmaster	Port Rowan	10-20	good
Elliot and Co.	Ridgetown	10-20	good
J.P. Lawrason	St. George	10-20	good
Stark and Barnes	Stouffville	10-20	good
George P. Hughes	Tottenham	10-20	good
Stewart's Banking House	Trenton	10-20	good
J.B. Wynne	Watford	10-20	good
J.G. Hallett and Co.	Woodbridge	10-20	good
Archibald Douglas	Alvinston (branch at Inwood)	5-10	good
J.F. Warbrick	Bolton	5-10	good
Clay, Sharpe and Co.	Burk's Falls	5-10	good
John McDonals and Co.	Chatsworth	5-10	good
Snell and Co.	Dashwood (branch at Zurich)	5-10	good
Mitchell's Banking House	Flesherton	5-10	good
A.E. Sinesac	Harrow	5-10	good
Macarthur and Co.	Hensall	5-10	good
Gilles and Reycroft	Highgate	5-10	good
A.N. Christopher	Ingersoll	5-10	good
B. Jasperson	Kingsville	5-10	good
McCullough and Young	Markdale	5-10	good
Ranney and Co.	Milverton	5-10	good
Mayhew and Harmer	Thamesville	5-10	good
Jacob Fuller	Thedford	5-10	good
A.E. Smith	Wingham	5-10	good
Hamilton and Co.	Grand Valley	5-10	fair
C.H. Clay and Co.	Meaford	5-10	fair
F.J. Holton and Co.	Windsor	5-10	fair

P.M. Kirby	Arthur	3-5	fair
E.R. Denison	Niagara	2-3	fair
J.M. Walton	Aurora	unrated	good
T. Beecroft and Co.	Barrie	unrated	good
R.G. Baxter	Burlington	unrated	good
Curry and Co.	Drumbo	unrated	good
Hurst and Burk	Gore Bay (branches at Bruce Mines and Thessalon)	unrated	good
Checkley and Co.	Preston	unrated	good
Alfred Westland	Wyoming	unrated	good
G.H. Hornibrook and Co.	Caledonia	unrated	unrated
James F. Macklem	Chippawa	unrated	unrated
J.M. Irwin	Galt	unrated	unrated
W.T. Hamer and Co.	Gravenhurst	unrated	unrated
W.L. Matthews and Co.	Huntsville	unrated	unrated
P.I. Bazin	Ottawa	unrated	unrated
T. Langford Rogers	Parkhill	unrated	unrated
Thomas H. Cook and Co.	Sarnia	unrated	unrated
W.J. Ward and Co.	Sarnia	unrated	unrated
Humphrey Johnson	Springfield	unrated	unrated
J.B. Ballantyne	Sunderland	unrated	unrated
Robert Rae	Thedford (branch at Oil Springs)	unrated	unrated
Robert Paxton	Otterville (branch at Port Dover)	?	?
J.P. Raven	Owen Sound	?	?
George S. Kilbourn	Owen Sound	?	?
W.P. Telford and Co.	Owen Sound	?	?

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