

3.—Loan and Trust Companies.

Business such as that now transacted by loan and trust companies was first carried on by an incorporated Canadian company in 1844, when the Lambton Loan and Investment Company was established. In order to legalize and encourage such operations, an Act to this end was passed by the Legislature of Upper Canada in 1846, followed in the same year by a similar Act in Lower Canada, and in 1847 and 1849 by Acts in New Brunswick and Nova Scotia respectively. These early companies were termed building societies; their activities comprised mainly the lending of money on security of real estate and also the lending of money to members without their being liable to the contingency of losses or profits in the business of the society. In addition to these operations, such companies were authorized, by an Act of 1859, to "borrow money to a limited extent." Later, by the Building Societies Act of 1874, authority was given to receive money on deposit and for the board of directors to issue debentures subject to certain restrictions as to amounts of deposits.

The number of loan and savings societies in operation and making returns to the Government at Confederation was 19, with an aggregate paid-up capital of \$2,110,403 and deposits of \$577,299. Rapid increases in the number of companies and total volume of business resulted from subsequent legislation until in 1899, 102 companies made returns, showing capital stock paid up of \$47,337,544, reserve funds of \$9,923,728 and deposits of \$19,466,676. Total liabilities had increased from \$3,233,985 to \$148,143,496 between 1867 and 1899.

After slight decreases in the number of companies in operation shortly after the turn of the century, further increases were again recorded until, in 1924, a total of 127 companies were in existence in Canada. Of this number, however, complete statistics are available of only 28, the companies which are incorporated by the Dominion Parliament under the Loan Companies Act, 1914, and the Trust Companies Act of the same year. These companies alone are required to make returns to the Dominion Government, provincially incorporated companies having purely voluntary relations with Dominion Departments.

The statistics published by the Finance Department in the "Annual Report of the Affairs of Building Societies, Loan and Trust Companies in the Dominion of Canada" until 1913, including voluntary returns from corporations operating under provincial charters, have been replaced, since 1914, by those in the "Annual Statements of the Loan and Trust Companies incorporated by Acts of the Parliament of Canada"; the latter, since the report of 1923, includes a brief statement of the business of provincially incorporated companies.

Trust companies, it may be added, act as executors, trustees and administrators under wills or by appointment, as trustees under marriage or other settlements, as agents or attorneys in the management of the estates of the living, as guardians of minor or incapable persons, as financial agents for municipalities and companies and, where so appointed, as authorized trustees in bankruptcy. Some companies receive deposits but the loaning of actual trust funds is restricted by law. The principal function of loan companies is the loaning of funds on first mortgage security, the money thus made available for development purposes being secured mainly by the sale of debentures to the investing public and by savings department deposits. Of the loan companies operating under provincial charters, the majority conduct loan, savings and mortgage business, generally in the more prosperous farming communities.