

Section 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 Co. was established, while the Montreal Building Society was incorporated by c. 94 of the Statutes of 1845. In order to legalize and encourage such operations in Upper Canada, an Act was passed by the Canadian Legislature in 1846, followed 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 the 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 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 (including trust 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. By 1913 the number of companies had declined, through amalgamations and absorptions, to 74 (including 16 trust companies) with a combined paid-up capital of \$68,091,042, reserves of \$35,959,342, deposits of \$32,681,806 and total liabilities of \$478,658,228.

The laws relating to trust and loan companies were revised by the Loan and Trust Companies Acts of 1914 (4-5 Geo. V., cc. 40 and 55), with the result that the statistics of provincially incorporated loan and trust companies ceased to be collected. The statistics of Tables 31 and 32 refer only to those companies operating under Dominion charter, except that, beginning in 1925, the statistics of loan companies and trust companies incorporated by the province of Nova Scotia, and brought by the laws of that province under the examination of the Dominion Department of Insurance, have been included. Also, since 1922 provincially incorporated loan and trust companies have made voluntary returns of their statistics to the Dominion Department of Insurance, so that all-Canadian totals are again available for recent years. As indicating the progress of the aggregate of loan company business in Canada, it may be stated that the book value of the assets of all loan companies rose from \$188,637,298 in 1922 to \$213,649,794 in 1931, although declining slightly to \$205,791,934 in 1933. The total assets in the hands of the trust companies increased from \$805,689,070 in 1922 to \$2,553,694,019 in 1933. The latter figure included \$2,328,615,120 of "estates, trusts and agency funds". (Table 30A.)

Functions of Loan Companies.—The principal function of loan companies is the lending 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.