

HOUSE...No. 218.

Commonwealth of Massachusetts.

HOUSE OF REPRESENTATIVES, March 15, 1859.

The Committee on Banks and Banking, to whom was recommended the Petition of Thomas Hunt, making charges of "certain unlawful practices and transactions" against the Bank of Brighton, ask leave to submit the following

R E P O R T :

The petitioner, with others, made application to the Bank Commissioners, in November last, according to the provisions of section 4, of chapter 127, of the Acts of 1851, requesting an investigation of the affairs of this corporation. The Commissioners attended to the duty, and made a report which was placed in the hands of the Attorney-General, as by law provided.

It is understood by the Committee, that some of the allegations of the petitioner were proved by the Commissioners to be true, and that immediate prosecution for violation of law was not instituted, on account of recent changes of some of the officers of the bank, by which, it was believed its future management, in strict conformity to law, was secured.

Under this state of circumstances, the Committee hesitated for a moment as to their duty; but the petitioner had appealed to the sovereign power, and they concluded to give the parties

a hearing and report the facts of the case. Several witnesses were examined on each side, and able counsel was employed by both the petitioner and the bank.

The first charge of the petitioner, "that said bank have received money on deposit, and given certificates therefor payable at a future time," was not urged before the Committee.

In relation to the second charge, that "said bank have taken exchange on notes that were written payable at their own counter," it appears that this has been done in the case of one party doing business at the bank. It is due to the bank to state, that the directors deny any knowledge of such practice, and aver that, in the few cases in which it occurred, it was accidental, and that the sums so taken were refunded.

That part of the third allegation, which charges that the bank has drawn drafts on time, was fully sustained. It was proved that the proceeds of notes discounted had been paid in drafts on the Fulton Bank, New York, payable in from fifteen to thirty days, without allowance of interest. The law upon this point is concise and clear, and for this bold and reckless violation of it no excuse can be admitted.

In relation to the fourth charge, that all the notes offered for discount had not been put upon their application book, no violation of law was proved.

The fifth charge is, that "they have compelled borrowers from them to date their notes back, and taken interest thereon from such fictitious dates, thereby obtaining usurious interest." One witness testified positively, that he had had notes discounted at this bank, which, at the request of directors of it, were antedated, and that discount was taken on such notes for the whole time they had to run. In justice to the bank it must be stated, that this practice was shown in the transactions of one person only, and that in the cases relied upon for proof the notes were renewals, and were dated back to meet other notes that were overdue.

The sixth allegation was proved in part. Notes have been bought as therein charged, at usurious rates of interest, but they appear to have been bought for the bank, and in all the cases brought before the Committee it seems that the bank received all the usurious interest taken, which in some cases was of very considerable amount. In the course of the exam-

ination under this charge, it came out that the bank had a fund of which the books gave no account, and which was supplied by illegal interest taken on notes discounted. The Committee cannot see how the unlawful practices here mentioned, could have been kept from the knowledge of the Bank Commissioners, without a violation of their oath on the part of such officers of the bank as were present at the last examination of this bank, reported by them to the public.

The seventh charge of the petitioner, alleging that said corporation has taken interest on many of the notes by them discounted, from the date thereof, although said notes were nearly or partly matured, was not proved to the satisfaction of the Committee.

The eighth charge is the same as the sixth, with the additional allegation that the bank had received only a trifling dividend on notes discounted as therein charged. The remarks under that are therefore applicable here. It may further be properly added here, that none of the directors of the bank appear to have used it for selfish purposes, as in times of the greatest scarcity of money their liabilities have been remarkably low.

The bank is charged, in the ninth allegation of the petitioner, with having "compelled parties applying for discount to make their notes payable in Boston, in order to obtain the exchange on the same." It appears that this was done, and that the exchange charged was sometimes as high as one per cent. for sixty days, which the Committee conceive to be a gross abuse of the power granted to the banks of the Commonwealth to take exchange.

The charges made by the petitioner having been thus disposed of, the Committee would add that, in the course of this examination, certain transactions have been brought to light, reflecting great discredit upon the bank, and tending to bring reproach upon the banking system of this Commonwealth. The directors have taken enormous interest, and to hide their bold violation of law, have kept the money so derived in a private trunk, so that it does not appear at all on the books of the bank. These transactions were to a large amount, and when to the sums so secreted is added the exchange which appears on the books of the bank, it is apparent that the proceedings of the directors

were of a character demanding the most emphatic condemnation.

The Committee recommend that the petition, and all the papers relating to the case, be referred to the Attorney-General of the Commonwealth, and they ask to be discharged from a further consideration of the subject.

For the Committee,

JOHN J. BABSON.