

1899.

NEW ZEALAND.

MONEY-LENDING.

(REPORT FROM THE SELECT COMMITTEE, IMPERIAL PARLIAMENT, 29TH JUNE, 1898, ON)

*(From the Politicians' Handbook.)**Presented to both Houses of the General Assembly by Leave.*

A SELECT Committee was appointed in 1897, and reappointed early in the session of 1898, "to inquire into the alleged evils attendant upon the system of money-lending by professional money-lenders at high rates of interest, or under oppressive conditions as to repayment." The report deals with the evidence taken during both sessions. Forty-one witnesses were examined: Mr. Thomas Farrow, who has investigated the subject of money-lending, two Judges of the High Court, several Judges of County Courts, the Director of Public Prosecutions, the Inspector-General in Bankruptcy, and others, besides borrowers and money-lenders. The report states that the evidence shows that money-lending transactions frequently owe their inception to misrepresentations of a fraudulent character. Misleading advertisements are very common, offering to lend money "without sureties" "at low rates of interest," or at "5 per cent.," when the lender's practice is to require sureties and the actual rate is 5 per cent. per month, equivalent to 60 per cent. per annum. A professional money-lender, after exposure under different *aliases*, will sometimes resort to such descriptions as a "wealthy capitalist residing in a private house," a "widow lady," a "bank," a "finance and advance corporation," or even a "bank expressly incorporated under Act of Parliament to advance money at a low rate of interest to respectable persons." The loans are usually advanced on the security of promissory notes, with or without sureties, or of bills of sale. The minimum rate of interest is 60 per cent.—the uniform charge with some lenders, while others charge as much as they can get. One lender admitted that his rate had sometimes been as much as 3,000 per cent. In many instances, the Committee were satisfied, borrowers were not aware of the terms on which the loans were obtained. The report says, "Your Committee consider that in many cases default is inevitable, and that once a borrower has obtained a loan from a money-lender it is extremely difficult for him to get clear of the transaction. The circumstances are generally such as to force him to obtain renewal after renewal at increasingly extortionate rates until he is utterly ruined. The promissory note used by one of the largest money-lenders contains a clause to the effect that in case default is made in payment of any instalment, the whole of the amount remaining unpaid becomes due forthwith, together with interest at the rate of a half-penny in the shilling per week from the date of such default. This rate amounts to 216 per cent. per annum. Another large money-lender admitted in evidence that the 'bonus' he charges for a renewal of a bill of exchange or promissory note ranges up to 1,000 per cent. per annum. Moreover, when these renewals are granted the costs and interest are all added as principal, and the whole thing starts again with compound interest. To show the way in which the charges of money-lenders mount up, your Committee may refer to the case of Burden. Between March and December of 1894, the witness Gordon lent this man £5,178. During this period £10,274 11s. 9d. was repaid, and when the case came into the Bankruptcy Court subsequently, the money-lender proved for £3,809 11s. 10d. These facts were admitted by Mr. Gordon in his evidence; and many similar cases have been proved before your Committee." The Committee have "unhesitatingly come to the conclusion that the system of money-lending by professional money-lenders at high rates of interest is productive of crime, bankruptcy, unfair advantage over other creditors of the borrower, extortion from the borrower's family and friends, and other serious injuries to the community. And although your Committee are satisfied that the system is sometimes honestly conducted, they are of opinion that only in rare cases is a person benefited by a loan obtained from a professional money-lender, and that the evil attendant upon the system far outweighs the good. They therefore consider that there is