

SESSION II.
1921.
NEW ZEALAND

REPATRIATION DEPARTMENT.

REPORT OF DIRECTOR OF REPATRIATION CONCERNING BAD AND DOUBTFUL CASES IN ARREAR
WITH RESPECT TO LOANS UNDER THE REPATRIATION ACT, 1918.

Laid on the Table of the House of Representatives by Leave.

Repatriation Department, Head Office, Aitken Street, Wellington,
12th January, 1922.

Memorandum for the Hon. D. H. Guthrie, Minister in Charge of Repatriation, Wellington.

Particulars of Bad and Doubtful Cases in Arrear with respect to Loans under the Repatriation Act, 1918.

IN connection with our quarterly review of cases in arrear one month and upwards, I reported at to-day's Board meeting that we had extracted in all districts what might be considered our bad and doubtful debts. Our figures now are,—

Loans to date approved by Board and paid out, £1,775,000.

Amount of principal collected in monthly instalments from soldiers (almost 50 per cent. of the money loaned), £860,000.

Number of loans fully repaid: Business, 1,111; furniture, 999; miscellaneous, 557: total, 2,657.

Estimated possible future loss on account of bad and doubtful debts, £19,650. (Auckland, 64, for £4,759; Wellington, 58, for £4,935; Christchurch, 83, for £4,790; Dunedin, 31, for £1,045; smaller committees, £4,121.)

Number of doubtful cases now being shepherded equals 346, with an average debt of approximately £57. Bad and doubtful debts therefore represent about 1 per cent. of the total loans granted.

As you would see from the schedules I presented this morning, every case is being carefully shepherded, and we are able to state exactly the position regarding each debtor. You would note from the "Remarks" column that where a man is having a hard time every leniency is being shown him, but that the Department is not allowing any man, in a position to keep up his repayments, to avoid his responsibilities. Extracts from some of the reports on general arrears cases read at the Board meeting this morning are as follows:—

Auckland.—An analysis of the return shows that it compares favourably with that presented three months ago, and but for the drop in butter-prices would have been even better. There are something like two hundred borrowers for farming propositions who are in arrear, many of whom were expected to wipe out the deficiency of their accounts before now. Forty-two give "unemployment" as the reason for being in arrear. Sixty give "illness in family" or "under medical treatment." Many of the accounts in arrear are quite good, being covered by ample security, guarantees, or orders for payment.

Christchurch.—In the return of bad and doubtful debtors no effort has been made to minimize the position, but rather to show it in the worst possible light. In estimating losses, very poor prices have been allowed for realization, and no allowance made for grantors signing up to pay any deficit remaining, so that with due attention to these loans the net loss may be considered reduced . . . The arrears as a whole have been very slightly reduced this quarter, trade depression having made it extremely hard to show any appreciable improvement. However, the business arrears are mostly safe, and a big reduction in these should be effected after the harvest. . . . Unemployment added to ordinary family difficulties has made it impossible to obtain regular repayments in a large number of cases. In spite of all that we could reasonably do—and we must appreciate the difficulties of the grantors during these hard times—it will be seen that the matter has been really regulated by conditions over which we have no control.

Wellington.—Our scale of repayments is high, and this in some measure accounts for the arrears being so high. You will notice that we have already collected about 40 per cent., so that even the loans in arrear have been repaid almost in accordance with the Dominion standard. If the full amount accrued due had been paid, collections on these loans would have been just under 60 per cent., which I think is much above the Dominion average. . . . The reasons for the arrears are many, the chief ones being unemployment, sickness, and general tightness of money. It is significant that many regular payers first stopped paying about April and May of this year, when trade conditions first became bad. . . . These arrears have mostly accumulated during the past six months, and are of course a reflection of trade conditions. As a general rule this Board has required a loan of £300 to be paid off in three years, and the scale has been fairly well kept up. It is doubtful, however, whether we can expect businesses to make sufficient profits to do this for the future. Indeed, many businesses will be fortunate if they avoid loss instead of making £100 a year profit, as we expect them to do. Of course, it would not be advisable to reduce the scale, because it is better to force a man to save as much as possible during these hard times. It is my personal opinion that 1922 will be perhaps a harder period for small businesses than 1921 has been. Most of these businesses depend on the wage-earners, and hitherto wages have been at a high standard, consequently keeping up the volume of trade. Next year the purchasing-power of the people is likely to be less, and consequently small businesses will not do the same volume of trade. I can suggest nothing in the way of a general rule to meet the situation, and a great deal of work will necessarily fall on local Boards in meeting each case as it crops up.

Dunedin.—Every effort has been made during the past three months to keep the arrears within bounds, and on the whole the results can be considered fairly satisfactory, as we learn the trade generally finds it very difficult to get accounts in. . . . As with furniture, the number of business loans in arrears (including bad debts) is approximately the same as last quarter, although there is a similar increase in the total. The same reasons would apply to business loans as with furniture, and added to this it must be remembered that we have a number of country cases where loanees are passing through a particularly hard time. . . . The return showing the number of bad debts that have accumulated and are anticipated amounts in all to about £1,000. The estimate is a fairly liberal one, and as regards business loans I am of the opinion that the sum allowed will cover all losses unless anything unforeseen happens. With regard to furniture loans it is almost impossible to give an estimate; but, apart from those on the bad-debt list, the applicants are in most cases in a good position, and were it necessary to seize, the realization would in all probability prevent any further losses being incurred.

Respectfully submitted for your information.

J. R. SAMSON,
Director of Repatriation.

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