

the more favourable rate, but when fixed-deposit rates are reduced the banks go on paying to the depositors who have deposits with them at the old rate.

I understand that. I was just wondering whether overdrafts ran on similarly to deposits?—No, they do not. They come down from the day advertised.

That would explain it, of course. And when you speak of a 10s. margin between deposit and overdraft rates, does this mean that the banks, taking all charges into consideration, are losing money on this type of business?—They are losing money on that type of business, but that is in respect of the fixed deposits at $4\frac{1}{2}$ per cent. that are still current.

On that type of business. Only on the fixed deposits at $4\frac{1}{2}$ per cent. that are current. But on the fixed deposits at 3 per cent., and $2\frac{3}{4}$ per cent., and $2\frac{1}{2}$ per cent., they are not losing business?—No.

So that on the whole the banks are profiting from this type of business?—They make a slender margin of profit on that type of business.

But there are also current accounts in which no interest is paid?—Put it this way, that if the banks fix their various charges, interest charges, bank charges, various other charges, all this is taken into account and you can rely on the competition among the banks forcing the charges down, and if we had to pay interest on all current accounts as well, you can be quite sure that the banks would not be able to have the interest-rates that they have now and pay any profits.

One other question in regard to your question 2. When the tax on the note-issue was increased the banks increased their bank charges for keeping customers' accounts?—That is so.

When the Reserve Bank takes over you will be freed from note-tax. Will you reduce similarly the charge for keeping customers' accounts?—That is a policy matter which might be *sub judice* at a later date.

Mr. Harle: While you are on that, do you consider that £1 a year is an unreasonable charge for book-keeping?

Dr. Sutch: I do not know because I am not familiar with the administrative side of banking. I do realize this, that if the banks were to charge for every petty little service they do the public would be inconvenienced to a much greater extent than they are now. But that is only my private opinion.

Mr. Fussell: While on this point, Dr. Sutch, I would like to explain that so far as English banking is concerned there is no fixed charge, but every six months the various accounts are perused and if the operations have been very considerable a bank would say, "I think it is worth £3 a year or £4 or £5 5s. for keeping this account," and the charge is made according to the estimation of the quantity of work that they have done for that account. So that it might be quite possible to charge £15 15s. for keeping an account at Home.

Dr. Sutch.] Is that the reason why internal exchange is not charged between the banks in England?—I cannot answer that question. I do not know. It is possible that the competition between the banks forces that down. The banks must get a reasonable margin of profit in some way. If they do not get it in one way they are compelled to get it in another. They are trading with shareholders' funds and so forth and they are providing service to the community, and they do not make a greater margin of profit than well-run business concerns.

Mr. Ashwin.] Do the banks at Home allow interest on current accounts?—Some do and some do not. Is it the country banks, Mr. Shaw?

Mr. Shaw: Yes. Some of them do and some of them do not. It all depends on the circumstances.

Mr. Fussell: Another aspect there is that in England the usual way of granting advances is to grant a deposit account and debit a loan account. That means that if a person came to you for a loan account and placed that amount at your disposal, I think it is a sort of tradition that you would leave something in the account. You would not draw out the last penny.

Dr. Sutch.] Debit the loan account. But Major Douglas says you credit the loan account?—As far as the customer is concerned it is a debit to him. It is a debit to loan account and a credit to the customer's account.

To get back to the questionnaire again, you mention in question 3 other economic factors affecting trade conditions. What other factors have operated on the volume of advances?—I should say that briefly is the fall in the price of overseas produce.

You mentioned that before. You are talking about the tendency of interest-rates to be reflected in the volume of applications for advances?—Other things being equal, the higher the interest-rate the less tendency to increase in advances.

What are these other things?—What I mean is this, that the falling prices of overseas produce, in reducing our income here makes trade unprofitable here; and although the rate of interest on advances has fallen lower, yet advances have fallen lower also, because although it is cheaper on paper to borrow it is not cheaper on paper to trade, since you cannot say as to the result, even at the cheaper rate.

Are these high overdraft rates an indication that borrowers are willing to let the banks join in their prosperity?—Yes. It is an indication that they can borrow at that higher rate and their demand for the money is such that that higher rate can be charged and the money will be used and used at a profit.

That 7 per cent. is for a minimum overdraft rate. Does that mean that the shakier accounts would be charged 9 per cent. or 10 per cent.?—No. It is very hard to say offhand what the margin is, but I should say between 1 per cent. and $1\frac{1}{2}$ per cent. above the minimum rate.

That is 8 per cent. to $8\frac{1}{2}$ per cent. And stock and station agents; are they charging even higher rates?—I could not say that. I should say that the stock and station rates are about the same as the bank rates.