

2. Several witnesses were called and examined on oath by Mr. Alexander Paterson and cross-examined by Mr. Charles R. Bayley. The Native witnesses attended voluntarily; the Europeans appeared in compliance with summons. A list of the witnesses' names is attached to this report (Appendix A).

3. The result of the evidence given before me is that the first and second questions must be answered in the affirmative. It has, in my opinion, been conclusively proved that moneys have been lent to Natives at usurious rates of interest, and that the Natives are thereby impoverished.

4. In or about the year 1894 Mr. C. R. Bayley commenced the practice of lending money to Natives, taking as security an acknowledgment under the hand of the borrower and a promise that the borrower should, when he next received a payment from the agent of the Public Trustee in respect of rent due to him, hand the cheque for such rent to Mr. Bayley. This practice has been continued down to the present time.

5. The terms upon which loans have been made by Mr. Bayley to Natives have been, so far as disclosed by the evidence, that the amount of the loan should be repaid out of the next instalment of rent paid to the borrower by the agent of the Public Trustee, together with interest at the rate of 5s. in the pound on the amount borrowed. If the amount of rent paid to the Native borrower should be less than the amount borrowed with the interest above mentioned, the balance has been treated as a fresh advance, and 5s. in the pound added thereto, the amount so increased to be repaid when the next instalment of rent is paid to the borrower.

6. As rents are distributed by the Public Trustee at intervals of six months, it appears that the rate of interest charged by Mr. Bayley is never less than 50 per cent. per annum, and in cases where the interval between the making of the loan and the payment of rent is short the rate of interest may greatly exceed 50 per cent.

7. In some cases the amount of interest charged was made to exceed the nominal 5s. in the pound by the device of charging 1s. in the pound at the time of the loan and 4s. in the pound at the time of repayment. Thus, if a Native wanted to borrow £10 he was charged 10s. for "writing out the documents." He thus received £9 10s. in cash and became liable to pay £12, which brings the interest on the cash actually received to $26\frac{2}{3}$ per cent. for any period not exceeding six months.

8. I am of opinion that such transactions are usurious, and therefore the first question must be answered in the affirmative.

9. A large number of receipts were produced by Native witnesses, which had been given by Mr. Bayley for sums repaid to him from time to time. A list is attached to this report (Appendix B).

10. With regard to the effect that such facilities for borrowing money have on the Natives who borrow, it is evident that the loss of a quarter of their income is a serious one, especially where the income derived from the rents payable under "The West Coast Settlement Reserves Act, 1892," is small. It is also evident that facilities for borrowing money in anticipation of those rents must militate against the acquirement of habits of thrift. Some of the Native witnesses have alleged that they are compelled to borrow from Mr. Bayley because the storekeeper will not give them credit, and they can get cash to pay for necessaries from no one besides Mr. Bayley. On the other hand, the storekeepers who have given evidence allege that they have ceased to give credit to Natives because of the difficulty they have experienced in recovering payment. If they rely on payment when rents are distributed they find themselves forestalled by Mr. Bayley, the money that would otherwise be available for payment of debts due to them going to repay loans advanced by Mr. Bayley. The Natives defend themselves by saying that they must have food, clothing, and other necessaries; that they can buy them only for cash, and that they can only get cash by borrowing. Thus, a Native having once anticipated his rent by a loan is unable to retrieve his position; each half-year he has to ask for a fresh loan to carry him over the ensuing period of six months, and at the rate of interest charged he has only three-fourths or less of his income available for his support. Hence I am of opinion that Natives who borrow are thereby prevented from improving their condition, and the second question must be answered in the affirmative.

11. I find some difficulty in suggesting a remedy for this evil which will be entirely effective.

12. Three possible courses suggest themselves, but I fear none would entirely prevent clandestine transactions. They are,—

(a.) To prohibit by statute, with the sanction of a substantial penalty, all money-lending transactions of the nature disclosed by the evidence.

(b.) To limit by statute the amount of interest chargeable in such transactions.

Both these courses have, I fear, the fatal defect that they could easily be evaded.

(c.) To empower the Public Trustee, by statute if necessary, to guarantee the payment of debts incurred by Natives for necessaries, to pay the amounts so guaranteed, and to deduct them from rents as and when they become payable.

This last suggestion, if carried out, would doubtless materially increase the work of the agent of the Public Trustee; but that disadvantage would, I submit, be more than counterbalanced by the protection afforded to the Natives. It would remove the objection which tradesmen now raise to giving credit to Native customers, and it would at the same time destroy the value of the rents as security for money-lending transactions.

As a tentative remedy for the existing evil I submit this third suggestion for Your Excellency's favourable consideration.

Given under my hand and seal, at Wellington, this eighth day of September, one thousand nine hundred and six.

H. G. SETH-SMITH.