

that is so?—I do not think so at all. Of course to the extent that the high rate of exchange is a deterrent to importing it means that less business is done. Do you mean that some people claim that the £25 in every £100 that people pay to get London funds is just pocketed by the banks? That is not so.

The suggestion is that the farmer and the seller in New Zealand is indebted to the financial institutions to such an extent that all the advantage is absorbed by these institutions and does not reach the farmer who requires the immediate assistance?—That may be so to a certain extent, but all the farmer is doing is paying off his just debts. He must pay his liabilities and this is helping him to do so.

One realizes that. I have some figures before me showing the value of the increased exchange to the producers, and whilst I admit at once that this advantage to the farmers has been given at the expense of the trading community and others who are suffering hardship in many cases, it is evident from these figures that the farmers have been helped. The dairy-farmers alone, on the increased 15 per cent. on the exchange from the 20th January, 1933, when it was instituted, until March 1934, netted an additional £2,612,115. That is additional.

*Mr. Langstone:* Where was this money brought from?

*The Chairman:* It was not actually brought in, but that is the increased total to the New Zealand dairy-farmers. The total benefit from the 25 per cent. exchange has reached £4,353,525. I would like to point out that I happen to be a chairman of a dairy company with five hundred suppliers—probably not a great number—but it is interesting to note that with the exception of two or three Government loans, the whole of the benefit goes to the dairy-farmers. We have not one order on the stock and station agents?—That is evidence that so far as your company is concerned the advantages are passed on to the producers, and the claim that all the advantages are not passed on is not true.

It may be in some cases the advantage is held by the stock and station agents?—It has not been the policy of the banks to reduce their overdrafts by the proceeds of farmers' sales in this way. The banks want to extend their overdrafts, provided the conditions of so doing are on sound lines.

So far as the London balances are concerned, we have four Australian banks operating in New Zealand?—The banking business is predominantly Australian, but two Australian banks have their head office in London.

And the London balances are held separately are they not?—They are now, but were not previously. They have to be now on account of the Banks Indemnity Exchange Act.

Getting back to overdraft rates, you have clients who run two or three accounts at the bank, have you not?—Yes.

One account may be in debit and two accounts may be in credit. Do the banks allow the credit balances to be set off against the debit balance?—Yes, under certain conditions. The condition is that the money is the customer's own money, and unattachable credit balances may be set off against debit balances. The banks are not obliged to do it.

Provided it is a genuine business that is allowed?—Yes, and any private person is permitted to do so, as long as there is a legal right. Trust funds do not come into it.

*Mr. Harle:* For instance a solicitor could not have his trust account set off against it.

*The Chairman:* I realize that, otherwise we would have people sending their money to that solicitor—

*Mr. Langstone:* If a local body had a credit balance in one account and a debit balance in another account, could the credit be set off against the debit?—We could not set off unattachable credit balances. The right of transfer from one account to the other must be in the hands of the banks.

*Mr. Harle:* That principle is governed by the Municipal Corporations Act.

*The Chairman:* Have stock and station agents been able to reduce their overdrafts with the banks?—I have not looked into that aspect of the question. I would say that the dairy-farmers have been able to reduce their overdrafts.

*Mr. Harle:* Some stock and station agents do not work on overdrafts. They work on their own capital.

*The Chairman:* But many do?—Yes.

*Mr. Fussell:* I think the general attitude of the financial institutions is that they like to see their customers prosperous, for that makes them more prosperous, and if they can help their customers at all they do so.

*The Chairman:* In reference to legislation enacted two or three years ago for long-term mortgages for the Bank of New Zealand, has there, generally speaking, been any great demand for that type of business?—The figures are about £1,100,000—that is, the figures of a year ago, and I do not think they have altered very much.

Has that money gone out on broad acres or on city properties?—The intention was for broad acres, but I think in some cases, owing to lack of demand in that branch, it has gone out to some extent on city properties.

Yes. I find it rather difficult to follow that in your balance-sheet?—I do not think the balance-sheet sets it out.

It is difficult to follow it. The rate of interest was to be 6 per cent.; has that been automatically reduced or does it still stand?—It is 5 per cent. now.

And the whole of the amount the bank really set out to lend has not been taken up?—No; it may be said that the demand is disappointing.

In your lending policies you work upon deposits, do you not?—Yes, the banks lend against their deposits.

Suppose all your deposits were called up and you could not equate your advances, what would you do?—That is a thing I would like to look at fairly particularly. It is a different question if it happens to all the banks at once or just to one bank. Dealing with the matter happening to one bank: Apparently the reason is that the confidence of the customers has been lost. Knowing that notes are