

REPORT OF THE BUILDING AND LAND SOCIETIES COMMISSION.

MAY IT PLEASE YOUR EXCELLENCY,—

The terms of the Commission intrusted to us by your Excellency being so wide and comprehensive as to include within the inquiry with which we were charged all the legislation of the Colony affecting Land and Building Societies, and also the working of societies as at present constituted, it was judged necessary to obtain as much information as possible concerning the societies in the Colony before proceeding to consider the subject with a view to such recommendations as we might think it desirable to make. A series of questions was therefore prepared, and a copy addressed to each of the societies, to which answers more or less complete have been received from thirty-one out of thirty-three societies which now are, or recently have been, in operation in the Colony. A synopsis of these answers is appended to this Report.

These answers, combined with the evidence which each of the Commissioners obtained in the particular locality in which he resides, have led to the following conclusions:—

1. That existing societies, to a large extent, are not proceeding upon reliable calculations.
2. That the diversity in form and modes of operation is so great as to make it both impracticable and undesirable to obtain uniformity by legislation.
3. That there is at present no safeguard against delusive schemes, should such be proposed.

That many societies are not proceeding upon reliable calculations will appear from a mere inspection of the “Summary of Particulars of Terminable Societies” appended to this Report (Appendix C). A perusal of the rules of the societies confirms this, as it is found that they are in most instances merely copies of each other, although the rates of subscription and of interest, the method of making loans, and the expected results differ so greatly.

The diversities in modes of operation will be seen by reference to the answers to questions 12, 15, 24, and 25, with Appendices B and C.

It is of course probable that local circumstances may cause some of these differences, while others may arise from differences in the end that is sought to be obtained. However this may be, the existence and character of these differences seem alike to prove that it is desirable to allow all societies to accomplish their own ends in their own way, providing that there be some assurance that the way that is taken will secure the end, and that the end and means are alike in accordance with the intention of such societies.

That there is at present no safeguard for the public in respect to these societies, is by far the most serious conclusion at which we have arrived. The fact that societies have worked so well hitherto does not disprove this; and we are convinced that the success that has attended them is mainly, if not entirely, due to the good faith and honesty of purpose with which they have been conducted, rather than to the intelligence with which the schemes have been devised. The answers to question 26 show how few of the societies have any satisfactory or intelligible mode of ascertaining their true position. To no other question are the answers so vague and inconclusive, although the point referred to is of absolutely vital importance.

The Legislature has attempted to guard against the want of knowledge on the part of promoters of these societies by appointing revising barristers to certify that the rules of each society are in conformity with the law, but we venture to think that it is imperatively necessary that the “Tables” and calculations should be subject to the revision of a person competent to give an authoritative opinion as to their correctness.

There is one point connected with the working of a large proportion of existing societies which appears to us highly objectionable: this is the practice of selling shares by auction among the shareholders, or in other words, inviting persons who desire to borrow from the society to compete with each other as to the amount of premium they will give, or deduction they will consent to, in respect of the shares on which they wish to realize. The answers to question 14 show that the majority of those who have had much experience in the working of these societies consider that system to be a great evil, an opinion in which we entirely concur.

In submitting to your Excellency the points on which we think that further legislation is required, we beg to repeat that we deem it in every way desirable to interfere as little as possible with the freedom of individual action in respect to these societies.

While, therefore, we have to suggest that a Bill may be submitted to the Legislature for the regulation of Land and Building Societies, we recommend that it should be confined to the following points:—

1. To consolidate the Land and Building Societies Acts of 1866 and 1869.
2. To prohibit the sale of shares by auction or tender, and to require that in every case the full nominal value of the shares shall be advanced without premium being charged, or deduction made. This provision not to apply to existing societies.
3. To provide for and authorize the winding up of societies, when and if it may be necessary or desirable to do so.
4. To appoint an Inspector whose duty shall be—
 - (1.) To examine the prospectuses and tables of all Land and Building Societies, and certify as to their correctness and suitability for their intended purpose. No new society to be registered until such certificate is given.
 - (2.) To receive annually from every society in the Colony a statement of its operations and position, also of its assets and liabilities, and to examine and report thereon to the Colonial Secretary. Such statements and reports to be published in the *New Zealand Gazette*, and in the *Gazette* of the Province or County in which the office of the society may be situated.