

DIFFICULTIES IN DEALING WITH CLAIMS.

46. The difficulties experienced by both debtors and creditors in dealing with these claims will be readily appreciated when one considers the long period which has elapsed since the debts were incurred, the inevitable staff changes during that period, the possible destruction of original documents, papers, and books, and generally the great difficulty in ascertaining and establishing the facts relative to the claim. While the New Zealand Clearing Office is prepared to assist New Zealand nationals as far as possible in regard to the claims preferred by or against them, the responsibility for any action taken must be assumed by the national concerned. In many cases the Office has expressed an opinion as to the legal position regarding claims, but, on account of the possibility of further material facts being produced by either the claimant or the alleged debtor, the desirability of consulting legal advisers has always been stressed. Many letters from business firms in New Zealand have been received expressing appreciation of the help afforded by the Office.

TIME-LIMIT FOR LODGING CLAIMS.

47. The Treaty of Versailles provides that creditors are to communicate their claims to the Clearing Office of the country in which they are resident within six months of the date of the establishment of such office. No provision is made, however, for inflicting any penalty in the event of creditors failing to make their declarations within the stipulated period. A notification was published in the *New Zealand Gazette* dated 8th September, 1921 (page 2304), to the effect that by an agreement made with the German Clearing Office the time for lodging claims with the New Zealand Clearing Office under Article 296 of the Treaty of Versailles had been extended to the 30th September, 1921, and that no further claims under the above article would be accepted after that date. Inquiries have been instituted to ascertain what remedies (if any) are available to persons who have failed to comply with the notice.

INTEREST ON DEBTS.

48. In accordance with the terms of paragraph 22 of the annex to Article 296, interest at 5 per cent. is payable on all debts falling within the provisions of the Article, from the date of commencement of hostilities (or, if the sum of money to be recovered fell due during the war, then from the date on which it fell due) until the sum is credited to the Clearing Office of the creditor, except—(i) On sums of money due by way of dividend, interest, or other periodical payments which represent interest on capital; (ii) where the creditor is entitled to payment of interest at a different rate by contract law or custom. In such case the rate to which he is entitled shall prevail.

Interest may also be recovered through the Clearing Office for a period prior to the outbreak of war, provided such interest is payable under the terms of the contract. As a general rule New Zealand nationals who have claims against German nationals have expressed satisfaction with the provisions of the Treaty relating to interest, although in some cases creditors have considered that the rate of interest should have been higher, or that compound interest should have been made payable. Where New Zealand firms are the debtors the interest provisions have been the subject of some severe criticism. In this connection the comments made by the Controller of the Central Clearing Office, London, in his first report, dated the 27th September, 1921, are directly in point, and will be read with interest :—

The demand made upon British debtors for payment of interest on their debts owing to Germany arises out of the express obligation which is imposed upon all debtors by section 111 of the Treaty, and applies equally to the nationals of our Allies and Germany. Having regard to the fact that this country is a creditor nation, the provision undoubtedly benefits British traders as a whole, although it may be admitted that this consideration does not in itself offer much consolation to individual debtors. In the case of traders, however, it must be borne in mind that throughout the period of the war they have had the use in their businesses of the moneys owing to their German creditors, and that, in the vast majority of cases, they have earned profits thereon far in excess of the interest now demanded of them. In many cases it has been alleged by creditors that, actuated by patriotic motives, and influenced by appeals published in the Press, they had invested their German moneys in war loan, the earlier issues of which did not produce interest equal to the demand now made upon them, and that, moreover, the necessity to account for the original sum invested results in a considerable loss to them by reason of the depreciation of their holdings. Upon investigation it has rarely been found that the investment was earmarked as the property of the German customers, nor would one expect this to have been the case, for the relation between a trader and his customer is not that of trustee and *cestui qui trust*, and the trader is under no obligation to set aside a specific fund for payment of his debts, which are chargeable against his assets generally. Moreover, the claim that the investment was made from patriotic motives is somewhat inconsistent with the contention that any loss which may have arisen therefrom should be charged to the taxpayer. It may be doubted whether, had a profit accrued from the investment of the money, there would have been an equal anxiety to account for such profit to the Clearing Office. That genuine cases of hardship have occurred by reason of this particular Treaty provision is admitted, but such cases are inevitable in any general scheme of this nature. Fortunately they are comparatively few in number.

Information has been received from the Imperial Government that interest on debts collected in accordance with the provisions of Article 296 of the Treaty of Versailles in the distant parts of the Empire must be calculated and credited to the German Clearing Office up to the date on which the sums are credited by the Central Clearing Office in London, although interest can be collected from the debtors only up to the date of payment to the local Clearing Office. Correspondence has ensued between the Central Clearing Office and certain of the Clearing Offices of the British dominions as to the correctness of this view. The matter has not yet been definitely settled. In any case, the amount involved in connection with the New Zealand Clearing Office is comparatively small.