

DELAY IN PAYMENT OF CLAIMS.

49. Considerable correspondence has been necessary in replying to letters from creditors in regard to the delays which have occurred in receiving replies from the German Clearing Office. The following extract has been made from the first report by the Controller of the Central Clearing Office, London :—

That in many cases there has been undue delay in the payment of claims is admitted, but for this the Department is not to blame. The Treaty provides that within three months of the notification of a debt to the debtor Clearing Office, or such further time as may be agreed upon by the two Clearing Offices, the debt shall be either admitted or contested. In view of the vast number of claims between this country and Germany, and the impossibility of clearing them within the time limited by the Treaty, it was mutually agreed to extend the time to six months, except in the case of certain income debts, where the period of three months was adhered to. It was also agreed that either Clearing Office could give notice to the other of the exclusion from the operation of this agreement of any specified debts. The greatest expedition has been used by the Department in notifying claims to the German Clearing Office. Once a claim has been notified to the German Clearing Office it is out of the control of the British Office. On the 15th of the month following that in which notice of its admission has been received the debt is paid. Hitherto notice of admission or contest has been received from the German Clearing Office in respect of all debts notified to it, within the limited period referred to above. When a debt is contested, the creditor is entitled to lodge at once a memorial with the Anglo-German Mixed Arbitral Tribunal, which sits in London, by way of appeal from the decision of the German Clearing Office. The procedure is simple, and if the creditor is successful in establishing his claim its amount is at once paid to him by this office. Before, however, recourse is had to the Mixed Arbitral Tribunal, the Treaty contemplates that every endeavour should be made to reach an amicable settlement. The branch of this office which has been established in Berlin has been exercising continual pressure to procure the more speedy admission of claims, and the results of its efforts have been satisfactory. It is only right, however, to point out that the German Clearing Office has to deal not only with the claims of the nationals of this country, but with those of most of our Allies. The volume of these claims is enormous, and the fact that the debts have been outstanding for upwards of seven years adds to the difficulty of agreeing them with the debtors, many of whom have disappeared. Staff difficulties and the unsettled state of the country have also militated against expedition, but even when all these factors are taken into consideration there can be no doubt that in very many cases there has been avoidable delay on the part of the German Clearing Office. As some compensation to creditors for this delay it may be noted that interest upon all capital sums continues to run in their favour, pending admission of their debts.

CHARGE TO CREDITORS OF 2½ PER CENT. COMMISSION ON PAYMENT OF THEIR CLAIMS.

50. Under paragraph 20 of the New Zealand Treaty of Peace Order, 1920, it is provided that it shall be lawful for the Clearing Office to deduct from any sum payable by that office to a creditor such commission, not exceeding 2½ per cent. of the amount payable, as may be fixed by the Public Trustee. On account of the many New Zealand claims which have been contested by the German Clearing Office and subsequently withdrawn by the claimants it is probable that the charge of 2½ per cent. will not be sufficient to reimburse the Public Trust Office for the expenses incurred in carrying out the duties under Part I of the Treaty of Peace Order. Although inquiries as to this charge have been made by New Zealand claimants, no direct objection has been taken. Of the 2½ per cent. which is deducted, the New Zealand Clearing Office is required to pay 1 per cent. to the Central Clearing Office, on account of the duties performed by that office in transmitting the claims to the German Clearing Office, &c.

51. This matter has been referred to by the Controller of the Central Clearing Office in the following words :—

This charge has frequently been objected to by creditors upon the ground that its imposition reduces the amount which they consider themselves entitled to receive. A little reflection, however, would doubtless convince them of its justice. It is levied under the express authority of the Treaty, to cover "risks, expenses, or commissions." It is applied towards the expenses of the Department, and forms the fund for meeting the loss arising from the failure to collect debts owing by British nationals whose solvency is guaranteed under the Treaty by the British Government. This guarantee, which is an obligation imposed upon the Governments of all the Allied and ex-enemy countries which have adopted the Clearing Office system, is one of the greatest benefits conferred upon creditors by the Treaty. And this is particularly the case as regards British creditors, for, owing to the greater depreciation of the mark in relation to sterling than in relation to the currencies of other Allied countries, there is a greater probability of default on the part of their German debtors in meeting their obligations. When this fact is taken into consideration, together with the other benefits derived by creditors from the Clearing Office provision to which attention has already been drawn, the charge cannot, it is submitted, be regarded as excessive or unreasonable.

SYSTEM OF ACCOUNTING WITH THE GERMAN CLEARING OFFICE.

52. The system of accounting between the German Clearing Office and the Central Clearing Office is explained in the following extracts from the report of the Controller of the Central Clearing Office :—

It is desirable to take this opportunity of explaining the system of accounting between the two offices which is enjoined by the Treaty, as it has been the constant subject of complaint by British debtors that they are compelled to pay their German debts. Under the Treaty each Government undertakes responsibility for the debts owing by its nationals, except in the case of the pre-war insolvency of the debtor. Accordingly, subject to this exception, upon admission of a debt by a British debtor the British Clearing Office gives credit to Germany for the amount so admitted, irrespective of whether or not it can be collected. At the end of each month an account is prepared by this office debiting the German Clearing Office with the amount of the debts owing by German nationals which have been admitted during that month, and crediting it with the debts owing by British nationals which have been admitted during the same period. This account is designated "the Monthly Account," and is delivered to the German Controller on or about the 7th of the month. If the balance is in favour of this country, Germany is required by the Treaty to pay such balance to this office in cash. If, however, as sometimes happens, the balance is in Germany's favour, no payment is made to the German Clearing Office, but such balance is carried forward to its credit in the next account. If, upon the completion of the clearing process, the balance be in favour of Germany, it is to be retained until complete payment shall have been effected of the sums due to the Allied or Associated Powers or their nationals on account of the war. This explanation should dispel the illusion which appears to be common amongst debtors that the amounts collected from them are actually paid to their German creditors. This is only true in the sense that the amount of their admitted debts is credited to the German Clearing Office in the monthly account, and that this reduces *pro tanto* the balance which the latter office has to pay to the British Clearing Office. Owing to the guarantee referred to above, the non-payment by British debtors of their admitted debts in no way