

Office to people throughout New Zealand. The system of short-term mortgages hitherto largely in force has imposed heavy recurring charges which have added greatly to the cost of the borrower. Under the long-term system as now adopted by the Public Trustee, once the initial expense of valuation and cost of mortgage has been met the only further expense is a small fee charged for a periodical inspection of the security at five-yearly intervals. Apart from this, the ever-present worry regarding financing attendant on the short-term system is removed. Moreover, a valuable compulsory form of saving is introduced by the periodical instalments on account of principal.

7. In view of what is considered by many as an easing tendency in the current rate of interest on mortgages, it has been urged on more than one occasion that a reduction should be made in the rate charged by the Public Trustee on loans made by him. In the closing months of the past year representations reached me to the effect that the Public Trustee should be required to reduce the rate of interest charged to applicants for loans from the Common Fund of the Office. As considerable misconception prevails on this point, it is desirable that the special position which the Public Trustee occupies, so far as the investment of funds is concerned, should be made clear.

8. The funds available to the Public Trustee are not Government moneys, but represent assets in estates which are entrusted to him for administration. Both in the administration of estates and in the investment of moneys derived from those estates the obligations of the Public Trustee correspond with those of a private trustee, and include the duty of seeing that the maximum rate of interest is obtained consistent with the security of the trust funds. Testators who have entrusted the administration of their estates to the Public Trustee rightly expect him to safeguard the interests of their dependants by securing to them the fullest income their estates can earn, consistent with the security of the funds invested. Thus it is the duty of the Public Trustee to invest the funds at the highest current rate obtainable on first-class trustee securities, and the amount so derived, after a small deduction made to cover the cost of working-expenses and the provision of the necessary reserves, is made available to the beneficiaries who are entitled to it.

9. It will thus be seen that the principles by which the Public Trustee must be guided in the investment of funds are three in number—

- (1) The general economic conditions prevailing from time to time and the extent to which there is a demand for money on mortgage :
- (2) The special statute law under which the Public Trust Office is established and by which the Public Trustee is bound :
- (3) The general law governing the rights and duties of trustees.

10. There is no doubt that a lowering of the rate of interest on loans by the Public Trustee in order to make cheaper money available to borrowers would be a grave breach of trust, and if any grounds existed for the belief that the funds invested by the Public Trust Office were not being invested at the current rate obtainable on good trustee securities confidence in the Office would be shaken. A reduction in the present rate charged to borrowers would be followed by a reduction in the income of those persons whose interests the Public Trustee is bound to safeguard, many of them women and young children already inadequately provided for and dependent for their living on the income derived from the funds held by the Public Trustee on their behalf. Any reduction in the rate charged by the Public Trustee must therefore follow, and not precede, any general fall in interest rates in the open market.

11. So far as the Government are concerned, their duty is to see that whoever occupies the position of Public Trustee carries out faithfully and efficiently the duties laid upon him by statute and the general law governing the conduct of trustees. The Government have not the power, even if they had the desire, to control the Public Trustee either in the administration of the estates entrusted to him or in the investment of the funds derived from those estates.

12. Any attempt to bring political influence to bear on the Public Trustee in the direction of interfering with the administration of estates or with the investment of the Office funds would be improper, and would seriously undermine the public confidence which the Office at present enjoys and which it is essential that it should continue to possess.