

1934

1934

23319

KENYA

23319

CO-533/452

Rate of Interest or rate of Commission on Remittances charged by Banks

Previous

See 2-104/1/32

Subsequent

38130/35

298

2. O.R. Manley

30 Nov 34

6.3. Banks

Interest rates. Land Bank & Commercial Banks are granting loans to farmers. Draws attention to an arrangement between the three great banks in E.A. precluding them from making a charge of less than 6% & ends. Parties of case which prohibits this enquiry which is now under discussion with the Commercial Banks.

Nominal

When Mr. Manley called, he had just been to see the <sup>Office of the</sup> London Bank which he refers to (it was one of the East African three), and was full of indignation at the statement which he reports at X.

We have no information about the various Land Bank's activities later than the 1933 Report, which Mr. Manley has already studied for himself.

As regards the question of rates charged to borrowers by the commercial banks in E.A., the record of the 1932 discussions is relevant. If the letter at 1 on this file is to be relied upon, it appears that the commercial banks <sup>now</sup> offer terms <sup>almost</sup> as generous as those of the Land Bank.

(9 in 23089/21)

(Placed in 23 on 27/10/32)

? Reply as in draft.  
W. B. ... 6/10

10

Sir J. Moffat

Sent you because of  
para 3 of the draft - I  
think there is no doubt that  
we must leave the banks  
to mind their own business,  
which is not profitable to  
them in Kenya.

W.C.S.

6.12.

J.M.

7.11.34

3. To D. B. Manley (2 inrod) 12/12/34

W.C.S.

4. D. B. Manley

13 Dec 34

Enquire whether any information is available of the  
arrangement binding the Kenya Banks to charge not less  
than 6% on advances & if not whether matter will be  
investigated.

? Now reply as in first para. of draft  
or (2)

J. Denton  
Yes - I do not think there is  
anything else we can say

W.C.S.

14.12.34

J.M.

17/11

I think it will be

That it will be

for the year

The rest of

we will be permitted

to change

M.C.

19/12

5. To D. B. Manley (14 inrod) 20/12/34

W.C.S.

Extract from The Times of 14 Dec 34

? Put by C. P. ...  
22/12/34

Yes. (Col. Stain's credit card is very good)

J. F. W. ...  
22.12

M.C.

7. When a conversation with  
Representatives of Barclays Bank,  
National Bank of India, & Standard Bank  
& South Africa 1/1/35

Sir C. Bottomley

The S. of S. will be pleased to see  
this. It might be put in a s/o letter to the  
Governor, but it must be published as the  
bankers are against any announcement.

S.S.O. 760  
71

10/1/35

And I write the office via  
letter to each representative with  
an expression of appreciation and  
of the opinion that it will help  
the situation. [The office is  
conditional on that assurance].

10/1/35

9.1.35

Yes. The S of S. was speaking of  
this question yesterday.

9.1.35

I have made a copy  
of the letter to the  
representatives to Sir C. Bottomley

10/1/35

10/1/35

- 8 To Sir J. Baulcatt 15/1/35
- 9 " Sir J. Baulcatt
- K.L. Hill
- B. Lomdell

Not received 11

12. Sir J. Baulcatt (S.O) 14 January 35  
DESTROYED UNDER STATUTE

Acts No 8 & 9 states that the Banks have been advised that  
the 6% rate on a/gl. advances will be operative from 1<sup>st</sup> Jan, &  
that they are contracting their points of exchange to be 99 1/2 - 100 1/2  
making E.A. billings at parity with sterling

13. K.L. Hill (S.O) 18 January 35  
DESTROYED UNDER STATUTE

Acts No 10 & 9 states that instructions regarding the reduction  
to 6% on a/gl. advances have been sent to their Subs. by Am. Branch.

14. B. Lomdell (S.O) 18 January 35  
DESTROYED UNDER STATUTE

Acts No 11, States that E.A. Banks have decided to reduce the  
margin in their Exchange rates so from 210 inst.

No. 12, 13, 14. - Very satisfactory.

We have now to write to  
Sir J. Baulcatt.

Sir C. Bottomley will no doubt wish  
to write separately with regard to  
reduction in the margin in the Exchange  
rates mentioned in Nos 12 & 14

C. J. Prosser  
21.1.35

I understand from Sir C. Bottomley that no  
action is required on the exchange rate  
point. The E.A.B. (and no doubt also  
the Treasury of Kenya) already know

It seems unnecessary to write to T.T. or Uganda, but Mr. Cliffe & Mr. Lu shd. see.

Draft herewith for conns, especially the last sentence. So far as we know, the Land Bank still charges 6½% half-yearly.

J. Frantz  
21/1.

The Land Bank has only £½ million to operate with. If all the banks come down to 6% then the Land Bank must follow suit, or it will get no custom & go out of business which won't hurt the situation. It could be revived if necessary.

It would have been very wrong to drag it into consideration when the general rate was being discussed. I mean that the fact of the Land Bank working at 6½% could not be allowed to prejudice the chance of getting the Banks down to six.

J.T.W. Head

Certainly

[As regards the exchange fund, the E.A.C.B. will have occasion to take note of it when they write to the Banks on the question of the Bank's commission on ~~the~~ loaned transfers: I have enquired for consideration of this question with ~~reference~~]

W.H.S. 22.1.35

At au

J.H.  
22.1.35

To Sir J. Byrnes - 2/3 - 22 January, 1935.

16. H.C.A. Bull (S.O) ————— 25 January 35

Encs a copy of a letter from Naumann, Bpp & Co. Ltd. stating that the rate of interest for overdraft facilities fixed by Kenya Banks is 6% & requesting that action may be taken with the view to reducing this rate to 5½ or 4%.

(Enc. a/cy)  
L.H.

This apparently relates to commercial & distinct from agricultural advances.

A tentative enquiry might be put to Sir J. Cawcutt, asking whether, as a corollary to the recent reduction of the rate on agricultural loans to 6%, it is proposed to reduce the rate charged to commercial houses in E. Africa.

J. Frantz  
29/1.

This is a new toy altogether. The mistake lies in the words "under the auspices of the local Govt." in para 3. The Banks have nothing to do with Govt. as regards their transactions over Kenya coffee, and I don't see how Govt. can interfere.

If Banks are being asked to finance the Kenya coffee shipments holding the documents as security then they can charge for so doing and I doubt if 6% is exorbitant. It is idle to say there is no risk because the risk is of a lot of coffee becoming unsaleable. Then the Bank has the coffee & no money.

I am much inclined to leave them to deal with the Banks as they best can & say it isn't a matter for us. But perhaps an enquiry as suggested would do no harm.

J.T.W. Head

"spread"  
The Board's Commission,  
having 99½ - 101½  
is now 99½ - 101. The  
Banks have been  
informed.  
W.H.S.  
7.2.

If I understand the position aright, Messrs. Naumann, Goss are coffee dealers, that is to say, it is their business to buy coffee from the growers, sold & possibly blend it & in due course sell it either to wholesalers (who blend & sell coffee in consumable form to retailers) or to retailers.

In a sense they take part of the grower's profit, but in another sense they are beneficial to him, since they take his coffee off his hands & sell it for him, thus releasing his capital for the new season's work.

There can, I think, be no doubt that a coffee dealer in this country could finance his business by overdraft at a rate certainly not in excess of 5% & probably below it, ~~the~~ perhaps even substantially below it.

It does not seem to me that the banks are taking greater risks in granting overdrafts on the security stated in Kenya than they would if they granted them in London, but presumably their establishment & other charges are higher relative to their turn over in Kenya than they would be in London.

I am not myself competent to judge whether a 5% rate for such a business is unreasonable, but I do think that we might send Sir J. Carleton a copy of the Times letter, or explain the substance of it to him, & ask him whether there is any prospect of the rate for this kind of business being brought down.

[It would greatly facilitate our coffee transactions if we could get the credit for bringing the rate down, but no doubt the banks will, as on the last occasion, agree only on the condition that they get all the credit for it.]

G. L. H. Clauson  
30/1/35

Mr: Clauson.

I am not quite clear as to this business. It would probably be well to talk it over with Mr: Bull--whom we shall be meeting to-morrow. The 31st: January 1935.

17. H.C.H. Bull - 20. \_\_\_\_\_ 5.2.35  
(T. Man n. 16).

Sir J. Campbell & I discussed 16 with Mr. Bull and asked him <sup>for</sup> further particulars.

It appears from 14 that as from the 2<sup>nd</sup> of Jan. the banks have narrowed the margin for transfers to  $\frac{1}{2}\%$  each way. The quotation of  $1\frac{1}{4}\%$  for the double transaction must have been made on almost the last day on which that rate prevailed.

With a transfer rate of  $\frac{1}{2}\%$  each way the maximum amount of interest which a firm ~~not~~ having credits in London & wanting <sup>accommodation</sup> ~~credit~~ in Kenya need pay is 1% of his money irrespective of the period; that is to say if he wants the accommodation in Kenya for more than 2 months it will cost him less than 6%, e.g. if he wants it for 3 months it will cost him 4%, if for 6 months only 2%.

In these circumstances it is difficult to say that the bank's charges for this particular kind of short term transaction are unreasonable, for no bank wants to grant an overdraft for a short period, under two months, in a place like Kenya where

banking conditions are difficult.  
All the same as a general propo-  
sition 6% is a high rate under  
modern conditions for a secured  
overdraft.

Would it not be a good plan to  
sent a copy of Mr. Bull's two  
letters ~~enclosure~~ privately from  
Sir J. Campbell to Sir J. Caulett,  
explaining that these complaints  
have been made to us, ~~so that~~ ~~we~~  
we do not of course in any way wish  
to identify ourselves with them,  
but that we think that he will be  
glad of an opportunity of replying to  
them? We might point out that the  
recent reduction in the transfer rates  
is itself a partial reply since it  
makes the 6% rate operative only for  
periods of less than 2 months in  
the case of persons who have free  
cash in London.

G. L. M. <sup>Lawson</sup>  
6/2/35

They have now changed in the rate on transfers between  
here & Kenya. This was lately reduced to 1/2% each  
way so that to send out a sum to Kenya and bring it  
back in 2 months would <sup>now</sup> cost 1% - equal to 6% per  
annum.

If the firm in Nairobi gets an overdraft from the  
Bank in Nairobi it has of course to pay interest.  
In order to avoid remitting money to Kenya and  
bringing it back the firm arranged to deposit cash in  
London as security against an overdraft in Kenya  
and by not remitting money they save a little - and get  
3/8% on the deposit here.

If they can get the banks to agree to give overdrafts  
in Kenya at less than 6% p.a. all the better, but  
Govt. can hardly be expected to step in.

But by all means let us put it to Sir J.  
Caulett as suggested.

J. L. M. <sup>Lawson</sup>  
6.2.

One of the points I was not clear about has  
been settled.

I am still doubtful, however, about approaching  
Sir John Caulett--even in the diplomatic  
manner proposed--as regards this. It is still  
"pressure", of a sort; and the firm concerned  
asked for pressure. It is an approach which would  
I think be unwelcome to the Banks;--and they have  
been quite willing to help in other matters, of  
more importance to us, of late, and it is always  
a delicate matter for the C.O. to intervene--  
however tactfully--between the Banks and their  
clients.

On the whole, I'd prefer not to take an action  
here. Mr. Bull would of course be free to take  
up the matter with the bodies he mentions in

No. 17.

The 7th, February, 1935.

\* That would prevent it from coming  
back to the C.O., but a collective and  
considered representation would be  
easier to handle.

I agree that we should not  
send H.P. to Sir J. Caulett, and  
after consulting Sir J. Campbell I  
do not see the alternative which  
had occurred to me of asking him  
to call.

So let Bull as indicated

6505 7.2.35

DN 8 To H.C.H. Bull (17 mod.) on 13/2/35

I have since discovered  
that all they are thinking of  
is the 1/2% for remittance.  
J. 14.5.35.

realize  
but the





21

Extract from "East Africa" dated 21st February, 1935

x

x

x

Bank Charges Reduced to 6%.

The Government of Kenya announces that, in order to assist the farming and producing classes, the banks have reduced interest rates on land, agricultural and produce advances in Kenya, Uganda and Tanganyika to 6%. It is understood that there has also been a scaling down of bank interest rates generally, and that in addition exchange rates between East Africa and London and London and East Africa have been considerably reduced.

x

x

x

23319/24 Kenya  
20

# THE COFFEE BOARD OF KENYA

H.C.H. BULL. A.C.A. London Representative

TELEPHONE:  
Fitchall 5703  
CABLES:  
% Eamatters, London

GRAND BUILDINGS,  
TRAFALGAR SQUARE,  
LONDON. W.C.2

Ref D.2

Date: Friday,  
15th February,  
1935.



G.L. McClauson, Esq., C.M.G., O.B.E.,  
Colonial Office,  
Downing Street,  
London, S.W.1.

*My dear Clauson,*

Very many thanks for your letter dated 13th instant in regard to overdraft facilities in Kenya,

I am extremely grateful to you for the trouble you have taken in this matter and for letting me know that the Banks have reduced their charges for remittances.

I am now bringing this matter up at the next meeting of the East African Section of The London Chamber of Commerce as I think something should be done to reduce still further the cost of overdrafts.

*Yours sincerely*  
*Stewart*

HCHE/W.

Forward in file

2339/34 Kenya

Copy

RECEIVED  
16 FEB 1935  
O.O. REGY

GOVERNMENT HOUSE,  
KENYA,  
EAST AFRICA.

2nd February 1935.

My dear Sir Philip,

*15*

I was delighted to get your letter of the 24th of January telling me of the decision arrived at by the Banks. The rumour has already spread here but no definite announcement has been made public. I think this should be done and I will see the Bank Superintendents about it: perhaps indeed the Head Offices might move in this direction.

The Committee the appointment of which enabled me to force through the Budget and the Non-Native Poll Tax has been sitting for some time and I am afraid so far nothing tangible has resulted. It is nicknamed the "Treasure Hunt." Poor Wade is having a difficult time as, although he realises the impossibility of most of the demands, he has to be most sympathetic and helpful.

I anticipate that the enquiry will be a long one and I am not very sanguine as to the result. A useful  
avenue

avenue for exploration is the old controversy between  
Public Works and Local Government.

So as to stimulate the more optimistic feeling  
now abroad I gave a Ball at Government house to which  
800 people came. I think it was a success and I'm sure  
it has done a lot of good.

Yours very sincerely,

(SD.) J. BYRNE.

C. O.

23319/Kenya  
34

Mr. Clouston 12/26

Mr.

Mr.

Mr. Parkinson

Sir G. Tomlinson

Sir C. Bottomley

Sir J. Shuckburgh

Permit. U.S. of S.

Parly. U.S. of S.

Secretary of State.

Q to. from sig.

C. D.  
R 12 FEB  
D

13 Feb. 1935.

My dear Bull

I have discussed your letter of the 5th of Feb. about overdraft rates in East Africa with Sir John Campbell & the East African Dept.

The situation has altered to some extent since Haumann, Giff & Co made their inquiries, since the three banks have now decided to reduce their charges for remittances to 1/2% each way & money can therefore now be sent to East Africa & back at a charge of 1% for the round trip.

If a firm, therefore, has money in London & wants a credit in Kenya it need pay the 6% overdraft rate only if it wants the credit for 2 months or less. If it wanted the credit for 3 months the cost (1% for the whole period) wd only be at the rate of 4% p.a. & for longer periods it wd be proportionately lower.

After considering the matter very carefully, however, we

**DRAFT.**

C. H. Bull Esq.

FURTHER ACTION.

think that it wd be better for  
you to pursue your alterna-  
-tive suggestion of taking up  
the matter with the Joint  
East African Board Executive  
or the East African Section  
of the London Chamber of Commerce.  
As the matter is really a  
commercial one, it wd be better  
to tackle it through commercial  
channels.

Yours ever,

Signed G. L. M. GRAUBORN

1317

# THE COFFEE BOARD OF KENYA

H.C.H. BULL. A.C.A. London Representative

TELEPHONE:  
Whitehall 5703  
CABLES:  
% Esamatters, London

GRAND BUILDINGS,  
TRAFALGAR SQUARE,  
LONDON. W.C.2

Ref: D.2

Date: Tuesday,  
5th February,  
1935.

*Answer (18)*

G.L.M. Clauson, Esq., C.M.G., C.B.E.,  
Colonial Office,  
Downing Street,  
London, S.W.1.

*My dear Clauson,*

I send you herewith a copy of a further letter I have received from Messrs. Naumann, Gepp & Co., Ltd., in support of their letter dated 23rd January, a copy of which I have already sent you.

I shall be glad if you will show this to Sir John Campbell as he asked me to obtain further details, when he talked the matter over with me before the meeting with the Merchant Bankers.

If you do not think this is a matter which the Colonial Office can take up, please let me know, and I can then table it for the consideration of the Joint East Africa Board Executive, or the East African Section of the London Chamber of Commerce.

*Yours sincerely*  
Howden

HCHB/W.

NAUMANN, GEPP & Co. Ltd.,

130, Fenchurch Street,  
London, E.C.3.

2nd February, 1935.

H.C.H. Bull, Esq.,  
Representative of the  
Coffee Board of Kenya,  
Grand Buildings,  
Trafalgar Square,  
W.C.2.

Dear Sir,

We confirm our telephonic conversation of this morning with regard to the question of rates of interest in Nairobi.

We approached the three banks here, who are operating in Nairobi, and in order to send out a sum of money to Nairobi (in this case the amount was £10,000) about the middle of January and to fix the return of said amount in sterling here in London on the 31st March, the charge would have been 1 1/2% (plus of course cable expenses) which works out at say 5% per annum. Finally we put up the money here in London against an overdraft granted to our Nairobi firm in shillings and for this facility our firm are charged 6% per annum in Nairobi, whilst we only receive 2% per annum on our money deposited here.

Trusting you will be able to arrange something in the matter,

We are, dear Sir,

Yours very truly,

p.p. NAUMANN, GEPP & Co. Ltd.,

(Sgd.) W. Gudson.

Sub-Manager.



15  
THE COFFEE BOARD OF KENYA

H.C.H. BULL. A.C.A. London Representative

TELEPHONE:  
WHITCHALL 5703  
CABLES:  
% Eamatters, London.

GRAND BUILDINGS,  
TRAFALGAR SQUARE,  
LONDON, W.C.2

Ref D.2

Date: Friday,  
25th January,  
1935.

G.L.M. Clauson, Esq., C.M.G., O.B.E.,  
The Colonial Office,  
Downing Street,  
London, S.W.1

*My dear Clauson,*

I am sending you a copy of a letter I have received from Messrs. Neumann, Gepp & Co. Ltd., in support of my conversation with you on the telephone this morning.

On this evidence it appears there are grounds for complaint on the part of Kenya traders, and I am indeed grateful for your promise to look into the matter for me.

*Yours sincerely,*

*Stewart*

HCHB/W.

NAUMANN, GHEPP & CO. LTD.,

130, Fenchurch Street,  
London. E.C.3.

23rd January, 1935.

H.C.H. Bull, Esq.,  
Representative of the Kenya  
Planters' Co-operative Union,  
Grand Buildings,  
Trafalgar Square,  
London, W.C.2.

Dear Sir,

Since we know that you have been very active of late with a view to decreasing the rate of interest paid by the Kenya Planters to the Merchant Banks here in London, we should like to bring to your notice the following, which, in our opinion, is of equally great importance.

As you are aware, the only banks operating at the moment in the Colony are Barclays Bank (D.C. & O.), National Bank of India, and the Standard Bank of South Africa.

We understand that these three banks, working together and under the auspices of the local Government, fix their minimum rates of interest for overdraft facilities. At the moment this rate of interest is 6% per annum. Even if a deposit here in London were to be made with one of these banks they would not be at liberty to grant a cheaper rate of interest for overdraft facilities out in Kenya.

You will no doubt agree with us that under the present ruling interest rates, a rate of 6% per annum is to say the least abnormal. We must suppose that all those firms, who operate in Kenya on the same lines as we do, must require overdrafts in order to finance their current business, and it is of course clear that a rate of 6% hampers business enormously.

As far as we are concerned, the position is that we are unable to obtain from any bank here in London even 1% per annum for our money, but if our firm in Kenya requires an overdraft they have to pay 6%.

We are therefore writing to you in order to know whether it would not be possible for you to bring some pressure to bear on the said banks in order that the said rate of interest for overdrafts should be

lowered to at least 3½ or 4%.

You must realise that these banks are not running any risk by making such overdrafts, for they invariably receive all the documents appertaining to coffee shipments relative to the business. We feel therefore that, if you could readily take exception to the rates of interest as are charged here by Merchant banks, who after all are running a risk with their own money, a far greater exception should be taken to those banks that are charging this enormous rate without running any risk.

For your guidance, we would add that for such overdrafts we also have to sign a contract form whereby we pledge ourselves to hold the bank entirely harmless from all loss, etc.

We should esteem it a great favour if you could see your way to take this matter up in responsible quarters.

Yours faithfully,

NAUMANN, GEPF & CO. LTD.,

(Sgd.) F. J. Lydall

Director.

COPY:GJW.

C. O.

Mr. Freeston 21/1  
Mr. Flood 21/1

23319/35

15

Mr. Parkinson  
Mr. Tomlinson.

Key.

For S. of S. signature

Sir C. Bottomley 22  
Sir J. Shuckburgh.

Permt. U.S. of S. 22 FS  
Parly. U.S. of S.  
Secretary of State.

~~My dear Byrnes~~

DRAFT.

Byrnes, Sir Joseph Byrnes  
G.C.M.B. and

You will be  
interested to know that  
I have managed to persuade  
the three banks to agree to  
reduce their rate of interest  
on agricultural advances to  
6 7/8% as from the  
first of this year. No  
public announcement will  
be made, but the branch  
managers will notify  
their customers. I need  
hardly say that there is  
no question of re-opening

**FURTHER ACTION.**

part or completed transactions.

I very much hope that this concession will afford some relief where it is badly needed, without imposing any burden on Government. I should be interested to learn, when you have the time, of its probable reaction on Land Bank finances.

~~your meeting~~

C. O.

Mr. Grossmith. 14/1/35.

Mr. ~~Green~~ 14

Mr. Flood 14

Mr. Parkinson.

Mr. G. Tomlinson.

Mr. C. Bottomley. 14/1

Mr. J. Shuckburgh

Permt. U.S. of S.

Privy. U.S. of S.

Secretary of State.

23319/34

For Sir C. Bottomley

DOWNING STREET,

17 January, 1935.

C O  
R 1 C 141  
D 10

Dear ~~Mr. Flood~~  
Bancroft  
Mr. Flood  
not handled

**DRAFT.**

1. SIR JOHN CAULCOTT, ~~et~~
2. R. L. HIRD, ESQ.
3. B. LOWDES, ESQ.

I have reported to the S. of S. the result of ~~our~~ conversation on the 1st of January ~~concerning~~ <sup>about</sup> the rate of interest charged by the banks in Kenya for agricultural advances to settlers:

- (1) The offer which you put forward
- (2) The offer put forward by Sir J. Caulcott, in which, I think, you and Mr. Lowdes were associated
- (3) The offer put forward by Sir J. Caulcott, in which, I think, you and Mr. Hird were associated

was that, provided it would help the situation, the banks would, as from the 1st of January, 1935, reduce the rate to ~~6%~~ <sup>5%</sup> for all agricultural advances. It was agreed that the banks could not, obviously, reopen past and completed transactions, nor could they agree to any public statement being made which might suggest

**FURTHER ACTION.**

suggest that the concession  
had resulted from pressure placed  
on them. The banks would advise  
their branch managers in Kenya of  
the <sup>change</sup> ~~rate~~, who in turn, would inform  
their customers.

3. The S. of S. greatly appreciates  
the offer and is of the opinion that  
a reduction in the rate to <sup>percent.</sup> ~~6 1/2~~ will indeed  
materially help the situation. I am  
writing to (1) Mr. Lowndes and Mr. Hird  
(2) Sir John Caulcutt and Mr. Lowndes  
(3) Sir John Caulcutt and Mr. Hird, in  
similar terms.

Yours sincerely

(Signed) W. G. BOTTOMLEY.

C. O.

Mr. <sup>14/1/34</sup>  
Mr. <sup>14</sup>  
Mr. <sup>14</sup>  
Mr. <sup>14</sup>

Mr. Tomlinson.

Sir C. Bottomley. 16

Sir J. Shuckburgh. 18/1/34

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

*Indicate*  
Sir John Caulcutt.

23319/34

Signature of the  
L/S

Approved by No 12

15 January, 1934

My dear gentleman,  
Bottomley has informed me  
of the offer of the banks to  
reduce to 6% the rate  
charged on agricultural  
advances in Kenya. I  
feel sure that a reduction  
to <sup>percent</sup> ~~6 1/2~~ will help the  
situation and I am most  
grateful for the offer.

I understand that  
Bottomley is writing to you  
and to the other bankers  
who were present at  
the conversation with him  
on the 1st of January.  
I would <sup>only</sup> add that I am  
very much obliged for  
your personal cooperation  
in this matter.

Yours sincerely  
(Sgd) P. CHIFFE-LISTER

FURTHER ACTION.

7

NOTE OF A CONVERSATION IN SIR CECIL BOTTONLEY'S  
ROOM ON TUESDAY, THE 1ST OF JANUARY, 1935.

PRESENT:-

Sir Cecil Bottonley

Sir John Caulcutt  
(Barclays Bank)

Sir John Campbell

Mr. R.L. Hird  
(National Bank of  
India)

Mr. Flood

Mr. Grossmith

Mr. B. Lowndes  
(Standard Bank of  
South Africa)

Sir Cecil Bottonley explained that the Secretary of State had received representations in regard to the high rate of interest charged on advances by the commercial banks operating in Kenya; he was most anxious to learn whether anything could be done to help the settlers in this connexion. Settlers had become disheartened over their accumulating debts, and their inability to pay the 8 per cent. interest charged by the banks.

A note of a meeting in November 1932, when this same question had been discussed, was read.

Sir John Caulcutt said that he had understood from a conversation with the Secretary of State that it would be of considerable help if the banks could agree to a general reduction of the rate to 6 per cent.

Mr. Hird and Mr. Lowndes pointed out that the difficulty was not only the inability to pay interest, but the fact that the principal debts were increasing with each successive Crop Advance, which usually resulted in a loss to the Bank in recent years. The banks, however, have always been most anxious to avoid any undue hardship on the individual.

individual.

27107/1/32  
1623 7/16 meeting

87 has meant an  
advance for  
collateral, not  
an advance against  
deposit.

individual. Rates vary according to the financial position of the debtor; and in cases where there has been a possibility of the debt being cleared up, large concessions have been made, and interest had often been materially reduced, or even forgiven. In their own interests, and as a means of protecting their security, the banks have had to continue to make advances.

It was ascertained that the banks had no settled policy of general applicability for dealing with the situation; they felt that each case must be dealt with, individually, on its merits. Sir John Campbell suggested that their efforts might be described as nursing the individual back to solvency.

In reply to a question by Sir Cecil Bottonley, Mr. Lowndes said that from as long as eight years ago, people were not paying their interest on standing mortgages, and interest was being added to principal.

Sir John Caulcutt said that he had discussed with Mr. Hird and Mr. Lowndes the Secretary of State's suggestion; and they were agreed that, provided it would help the situation, the banks would, as from the 1st of January 1935, reduce the rate to 6 per cent. for all agricultural advances. They could not, obviously, re-open past and completed transactions. Nor could they agree to any public statement being made, which might suggest that this concession had resulted from pressure placed on them. They would advise their branch managers in Kenya who, in turn, would inform their customers.

Mr. Flood

Mr. Flood said that there was a feeling akin to terror in Kenya that, if and when land values increased, the banks would foreclose. The bankers' reply was that they had hoped that the past and present policy would have earned for them a better appreciation and a greater confidence. They had been forbearing and lenient. Could any one point to instances of harsh treatment?



Sir C. Bottomley 8/11  
W. G. Hornum 3/11

NOTE OF A CONVERSATION IN SIR CECIL BOTTOMLEY'S ROOM ON TUESDAY, THE 1ST OF JANUARY, 1935.

PRESENT:-

- |                     |   |
|---------------------|---|
| Sir Cecil Bottomley | Sir John Jelicoff<br>(Barclays Bank)              |
| Sir John Campbell   | Mr. R. L. Hird<br>(National Bank of India)        |
| Mr. Flood           | Mr. B. Lowndes<br>(Standard Bank of South Africa) |
| Mr. Grossmith       |   |

Sir Cecil Bottomley explained that the Secretary of State had received representations in regard to the high rate of interest charged on advances by the commercial banks operating in Kenya; and that he was most anxious to learn whether anything could be done to help the settlers in this connexion. Settlers had become disheartened over their accumulating debts, and their inability to pay the 8 per cent. interest charged by the banks.

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Sir John ~~Campbell~~ <sup>Campbell</sup> said that he had understood from a conversation with the Secretary of State that it would be of considerable help if the banks would agree to a general reduction of the rate to 6 per cent.

Mr. Hird and Mr. Lowndes pointed out that the difficulty was not only the inability to pay interest, but the fact that the principal debts were increasing with each successive Crop Advance which usually resulted in a loss to the Bank in recent years, and interest ~~is~~ being added to principal. The banks, however, have always been most anxious to avoid a degree of hardship on the individual.

*[Handwritten note:]* I'd want to find out the way said! and it was not to influence 1935. W. G. Hornum

*[Handwritten note:]* unchanged on principal advances and on crop advances



*Mr. Strain*  
*297*  
*Pl. with H. about*  
*Mr. Mandy*  
*17*

6 26

*Times*

*17<sup>th</sup> Dec. 1934.*

### BANK CHARGES IN KENYA

TO THE EDITOR OF THE TIMES

Sir,—On November 26 you published a letter of mine detailing some of the financial difficulties which Kenya settlers have to face.

I have only now had my attention directed to an answer, signed "Banker," which accused me of overstatement when I asserted that Kenya settlers "have been obliged to borrow from banks whose standard rate of overdraft interest is 9 per cent. with the interest added monthly, making a total imposition of somewhere about 10½ per cent. per annum."

"Banker," in his reply, deals only with the Kenya banks' rates for fixed loan on mortgage, which appear from his figures to be equally severe.

The accommodation, however, to which I referred is a fluctuating overdraft, which is an essential type of accommodation for an agricultural community, the proceeds of crops not being received until long after costs are incurred.

When I left Kenya in March last the bank charges for this type of accommodation were the figures which I stated, and I have every reason to believe they are still exacted.

If "Banker" will communicate with me direct I can furnish him with pass books and other evidence which should convince him.

I am, Sir,

L. H. STRAIN (LIEUT.-COL.).

Dunure House, Ayrshire, Dec. 12.



permitted to change, and  
for this reason Sir P. G. G.  
regrets that he cannot  
discuss the practice in this  
matter of the Commercial Banks  
operating in East Africa. ~~His~~  
attention is, however, invited to  
the fact that the <sup>rate of</sup> interest  
allowed by such banks to their  
local depositors commonly exceeds  
the corresponding rates which  
~~prevail in the United Kingdom.~~

(Signed) J. E. W FLOOD

TELEPHONE  
CENTRAL 7928.

26  
H

RECEIVED  
14 DEC 1934  
C. O. REGY

1, TEMPLE GARDENS,  
TEMPLE, E.C. 4.

13. 12. 34

ACKD. BY PC

Sir

I thank you for your no. 23319/34  
dated Dec. 12<sup>th</sup> : but observe that the second  
para. of my letter of November 30<sup>th</sup> has  
apparently passed <sup>un</sup>noticed. Was the Secretary  
of State any information - other than that  
with which I have myself supplied him -  
of this arrangement binding the Kenya  
banks to charge not less than 6%, whatever  
the security, on advances in Kenya?

If not - will he make inquiries about it?  
I am willing <sup>if he wishes it</sup> to state the source of my  
information. Or does he think that  
the matter is not worth bothering about?

The Under Secretary of State  
for the Colonies  
Colonial Office

Yours faithfully  
D. M. A. [Signature]

C. O.

Mr.

Mr.

Mr.

Mr. Parkinson

Sir G. Tomlinson

X Sir C. Bottomley 6.12

Sir J. Shuckburgh

+ Permt. U.S. of S. 7.11

Parly. U.S. of S.

X Secretary of State.

23319/32

Kenya

Approved by No 4

C. O.
R 17 DEC.
D. 19

82

12 DEC 1931

DRAFT.

J.R. Stanley Esq.

10/7

16/12

Sir

I am re. to ask the  
 result of your letter of the 30th Nov.  
 regarding the terms attached to  
 loans made by the Kenya  
 Land Bank and by the  
 Commercial banks operating in  
 the Colony.

2. As regards the  
 Land Bank, it is regretted  
 that no later information  
 is available than that  
 contained in the Report of  
 the Board for 1930, a  
 copy of which you have

FURTHER ACTION.

already examined. No reduction  
has been made, so far as the  
S. of S. is aware, in the standard  
rate of interest charged to borrowers  
viz.  $6\frac{1}{2}$  per cent, payable half-yearly.  
In addition, a half-yearly charge  
is payable towards <sup>capital</sup> the redemption  
of the capital, the amount being  
calculated on the term of the loan;  
thus, on a thirty-year loan  
the redemption charge is at the  
rate of 1.12 % per annum.

(Signed) L. B. FREESTON

3. The S. of S. is not  
prepared to discuss the practice of  
the Commercial Banks which operating  
in East Africa, which is, no doubt,  
based on commercial considerations. Your  
attention, however, is invited to the fact  
that the rate of interest allowed by  
these banks to their local depositors  
commonly exceed the corresponding  
rates which obtain in the U.K.

See para.  
17 in 1931  
Annual Report  
(#21 in 1937/32)

I did not  
bring this altogether  
if he wishes  
to change  
we can discuss  
what to say



1, Temple Gardens,  
Temple E.C.4.

30th November 1934

The Under Secretary of State  
Colonial Office,  
London. S.P. /

218  
ACKD. BY P.A.

Sir,

With reference to my call on the 23rd inst. upon Mr. Freeston I shall be grateful if you will inform me what truth there is in the suggestion made to me by one of the Commercial Banks operating in Kenya that the terms upon which the Land Bank is now granting loans to Farmers on the security of their lands are but slightly, if at all, more favourable to the Mortgagors than the terms (namely 7 per cent "calculated monthly" - which in effect means 7 1/4 per cent per annum) granted by the Commercial Banks themselves.

2. Further, on an offer to provide, immediately and in London, a sufficient amount of any gilt-edged or other securities which the Commercial Banks might care to name - such security to be held by them in substitution for their present charge over the lands in Kenya - the Bank in question informs me that the rate of interest would still be 6 per cent (and doubtless still "calculated monthly"). I ask why so much. The answer was that three great banks operating in East Africa have an "arrangement among themselves" precluding any of them from charging less than 6 per cent (calculated monthly) in respect of money lent in Kenya, whatever the security might be. Is the Secretary of State aware of this arrangement? It appears to be a serious matter for the unfortunate Kenya Settler (3) I should be grateful if you would supply me - if possible in a form which is compatible with the Commercial Bank's terms above mentioned - with particulars of those offered by the Land Bank. I see from the Land Bank Board's report for 1933 that the Board's rate in 1933 was 6 1/2 per cent, and that there was already a suggestion of an early reduction in favour of Mortgagors, past as well as future. Is the rate quoted strictly interest, or does it include anything in respect of repayment of principal? I shall be grateful also if you can let me have a copy of any leaflet or other official publication setting out the Land Bank's terms.

4. According to present practice, what proportion of the Valuator's valuation of a farm does a Land Bank loan represent? According to the 1933 report, the proportion was round about 33 per cent in that year, instead of the statutory maximum of 60 per cent. Do these figures mean that applicants are so numerous that they have to be rationed?

5. I append full particulars of the <sup>actual</sup> case <sup>which prompts this enquiry</sup> now under discussion with the Commercial Bank in question: and shall be glad to furnish any further information about it which the Secretary of State may desire. The Bank inform me that it is one to which they have accorded more lenient treatment than usual. If that be so, the Secretary of State may perhaps feel, as I do, that one at least of the causes of the increasing distress amongst the Settlers of Kenya is the way in which they have been and are being treated by the <sup>Commercial</sup> Banks.

I am, Sir

Your obedient servant.

D. M. A. L. E. Z.

N O T E

1912 settler. Trans Nzola.  
 Personally farmed from 1912 to 1932.  
 Farmed by resident manager since 1932.

3 farms, comprising

{ Farm A	1840 acres
{ Farms B & C	1490 acres
Total	3330 acres

All good land - some first class.

Farm A has 410 acres under cultivation (48 coffee) and 50 more cleared; with buildings insured for £1075. Arable and grazing 1374 acres  
Farms B & C have 200 acres under maize and 88 under coffee. Arable and grazing 1200 acres.

Valuation (August 1934 - private firm of valuers).

Farm A 5670

Farms B & C 7840

Total £13510

Lands crops & Buildings only.

N.E. The report of the Land Bank Board for 1933 states (Table No. 6 p.15) that in 1933 the average valuation/acre of TransNzola farms in respect of which applications were made was 66/- an acre.

Equipment Auditor's report at 10.8.33 shows £800 machinery, £400 livestock and £340 stocks in hand.

Production in 1933 (approximately)

3000 bags maize

80 " wheat

20 tons coffee

which are stated to have realised £2000

Financed Since 1919 (by Commercial Bank) standing overdraft at 8% per annum (7% since about 1929) "calculated monthly"; secured by an equitable charge over all three farms. Present debt to bank £3981. Commercial Bank's charge on Farm A now being transferred to Land Bank in respect of a Land Bank advance of £1800 + £500 = £2300 ~~not counted~~

N.E. Land Bank Board report for 1933 (Table 6 p.15) shows that during 1933 the average amount advanced by the Land Bank on a TransNzola Farm was 33% of its valuation. If the 1933 average holds, a conservative valuation of Farm A alone would seem to be £2300 x 3 = £8900. Even if the Land Bank Loan represents the full 80% ~~conservative~~ valuation, it is clear that the valuation value of this single farm is at the present moment £3833. Yet this is but one of three farms which together, the Commercial Bank profess to regard as doubtful security for £3981.