

There is the converse possibility that
the price of money might go up; but a
paper note would be issued later
than a silver note & it is possible that
the latter would be the draft on \$,
the money, and there may have been
a decrease in the circulation of the
paper note.

[Faint, mostly illegible handwritten text]

Sir H. Read,

By Sir G. Fiddes' direction I wrote to Mr.
Ezechiel on the 24th of March as in copy attached.
I attach his reply which has just come in.

I think the best thing to be done will be
to send a copy of my correspondence with Mr. Ezechiel
to

to Sir Edward Northey enclosing a copy of the
Colonial Standard for July 1911 (if Library can
supply it) and also the printed enclosure to
the Standard for the same date. See that from the
point of view of the proposal to
establish a new paper note, the
covering the first issue of the
new note, and the
to be made it is

CO
533
2

13 March 1922

13596

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MAR 20

I am the honor to ... a suggestion
which I recently put forward ... the formation
of a Land and Agricultural Bank in East Africa. The
object of such a bank would be to advance money
to settlers individually on mortgage of land on
adequate guarantees to ...

- 2. Advances would be made for -
 - (a) Permanent improvements.
 - (b) Purchase of stock.
 - (c) Discharge of existing liabilities.

No ...
I should ...
advances ...
unsecured ...
amounts for ...

No advances ...
to purchase ...
or pastoral value of the land ...
to be effected, and ...
be given as ...
in working. Advances ...
for would be limited to 50% of ...
paid, with the possible ...
value of improvements. Before ...
ade conditions with ...
if necessary for the land to be ...

The Land Registration ...
Advances would over a period of 30 years ...
the rate of interest charged would be adjusted to ...
costs ...
might be found possible to ...
7% in advance to settlers ...
pension system of ...

For the first five years ...
at 7% ...

Bank? - and is it possible for you to
ask from them any definite information as
to the terms that charge? You will remember
that Sir E. Northey's 10 per cent did not square
with what Mr. Poysa Cobb told Sir E. Mercer.

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Yours sincerely,

Ed. C. Hooper.

Office
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on "The Encouragement of Agriculture" in the Colonial Office Journal for July 1911. One advantage in the Government lending to a co-operative society rather than to an individual settler is that if the property of the latter has to be seized and sold in the event of failure to repay, that invidious job falls on the society and not on the Government.

Sir E. Horthay proposes that advances should be for 30 years, at varying rates of interest to cover expenses. It does not seem necessary to adopt such a long period. The ordinary practice could be followed of taking a mortgage for three years certain, to remain on foot afterwards subject to six months notice from either side. The interest would then be fixed for the certain period, and if the borrower were found unsatisfactory the loan could be called in, or if the market rates for money changed the rate of interest charged could be varied.

Hervey is prepared to ask the West African Currency Board to advance £200,000 to the Protectorate Government at a little over Bank rate varying say 5 1/2 per cent at present, repayable at six months notice. In all probability, however, the loan could remain indefinitely. The Government could then lend to societies at a slightly higher rate to cover working expenses and fluctuations in Bank rate, say 6 1/2 per cent, which would certainly be well under the present market rate. If the scheme were not co-operative, as suggested above, it would probably be necessary for the Government to charge more - say 7 per cent - in order to cover themselves against bad debts and the expenses involved by such debts.

13596/20

Ed

pl. 192

Mr. [illegible]
No. [illegible]
St. [illegible]
[illegible]
[illegible]
[illegible]

Dear Sir,
I have the pleasure of
acknowledging the
receipt of your letter of
the 12th inst. in
reference to the
[illegible] Bank in
[illegible]

I am in the possession of
the original copy of
your report on the working of
the operation credit facilities in Mauritius for
the years ending the 31st June 1920 & 1919 respectively.

Approved to be
sent to [illegible]
in 728 Mauritius

I am to inform you that from the point of
view of the book the material is available

2. Co-operative Society to which the Govt.
would lend money & which itself would
arrange loans to its members, appears to have
great advantages, and Lord Curzon would
consider the matter
report further hereon.

Interest charged would be adjusted to cover expenses. If it
assumed that the money to start the bank bears interest at
than it might be found possible to cover expenses by charging
on advances of settlers. I recommend the following system of
payments:-

- (a) For the first five years interest to be paid half-yearly at 7% per annum.
- (b) After five years, the advance, with interest due on the unpaid portion, should be repaid within the next 25 years by half-yearly instalments, consisting partly of principal and partly of interest. The amount payable in this manner would be about 4% (subject to verification) half-yearly, except for the last half year.

Advances could also be paid off before maturity.

6. The following remedies against default would be necessary in the event of:-

- (a) The money, whether principal or interest, being unpaid,
 - (b) The advance having been wrongly or extravagantly applied,
 - (c) The debtor becoming insolvent or imprisoned,
 - (d) There being a breach of the conditions of the advance,
 - (e) The advance not being applied within a reasonable time,
- should be provided:-

- (1) to refuse to pay any unpaid portion of the advance;
- (2) Three months after the demand for repayment, without requiring to court of law, to take possession of and sell by public auction the whole or any part of the security for the advance,
- (3) to transfer the land or other security to the purchaser and give a full title.

7. All proceedings to complete the security and lodge title deeds must be executed within three months of the approval of the advance.

8. The minimum advance would be 250 - the maximum would depend on the amount of capital at the disposal of the bank. If the capital were 2500,000, a safe maximum in the first instance

ould be 2500. The maximum obtainable by a class A farmer under
the 1920-21 Settlement Scheme whose land was valued at £2
or more would be £102. The amount being capable of increase
where development had been effected.

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9. The operation of the bank would be controlled by legis-
lative enactment, but I should propose to form a Board to adjust
the rate on application and approve the programme. No advances
could be made to members of the Bank. The Board or its
committees in which they were interested.

10. Profits in excess of a certain limit would be placed in a
reserve fund, which would be distributed in arrears. An excessive
reserve fund would enable lower rate of interest to be charged.

11. Various small fees would be made to cover the cost of
locations, the purchase of land, the purchase and ploughs and in
event of any other expenses.

of the
Africa Protectorate.

13th March, 1920.

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Under Secretary of State
for the Colonies.

Sir,

I have the honour to refer to a suggestion which I recently put forward verbally for the formation of a Land and Agricultural Bank in East Africa. The objects of such a bank would be to advance money to holders individually or mortgage of land, or under various circumstances to co-operative societies.

2. Advances would be made for:

(a) Permanent improvements

(b) Purchase of stock

(c) Discharge of existing liabilities

(d) Cost of subdivision of land

(e) Cost of agricultural implements

Advances would be made partly paid for and partly to be repaid, with the possibility of up to 50% for the cost of improvements. Before advances can be made conditions could be imposed rendering it necessary for the land to be registered under the Land Registration Ordinance.

3. Advances would be repaid over a period of 30 years; the rate of interest

interest charged would be adjusted to cover expenses. If it is assumed that the money to start the bank bears interest at 6%, then it might be found possible to cover expenses by charging 7% in advances to settlers. I recommend the following system of repayment:-

(a) For the first five years: interest to be paid half-yearly at 7% per annum.

(b) After five years, the advance, with interest due on the unpaid portion, should be repaid within the next 25 years by half-yearly instalments, consisting partly of principal and partly of interest. The amount payable in this manner would be about 4½% (subject to verification) half-yearly, except for the last half year.

Advances could also be paid off before time.

6. The following remedies against default should be available in the event of:-

- (a) The money, whether principal or interest, being unpaid.
 - (b) The advance having been wrongly or extravagantly applied.
 - (c) The debtor becoming insolvent or imprisoned.
 - (d) There being a breach of the conditions of the advance.
 - (e) The advance not being applied within a reasonable time.
- it should be permissible:-

- (1) to refuse to pay any unpaid portion of the advance
 - (2) Three months after the demand for repayment, without recourse to court of law, to take possession of the land by public auction, the whole or any part of the security for the advance,
 - (3) to transfer the land or other security to the purchaser and give a valid title.
7. All proceedings to complete the security and lodge title deeds must be executed within three months of the approval of the advance.

8. The minimum advance would be £50 - the maximum would depend on the amount of capital at the disposal of the bank. If the capital were £300,000, a safe maximum in the first instance would

15th March

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1. I have the honour to refer to a suggestion which
has been put forward verbally for the formation of a
Colonial Bank in the Colonies. The objects of such
a bank would be to advance money to holders individually or
jointly, or to other persons who intend to co-operate

Advances would be made for:-

- (a) Self-education and improvements
- (b) (i) A loan for purchase
- (ii) (old) stock and stocking facilities
- (c) (i) Cost of a house
- (ii) of a farm
- (d) Promotion of agricultural industries.

2. No advances would be allowed except on the security of
land mortgages, or on the security of improvements would be allowed
on a property already mortgaged except for the purpose of dis-
charging the mortgage. No advances would be allowed on a security
of savings or bank balances and business accounts for advances would
be limited.

3. No advance on the sole security of land would be permitted
to exceed 50% of the fair agricultural or pastoral value of the
land together with improvements to be effected, and a condition
of advance would be permanent occupation and beneficial cultiva-
tion or stocking. Advances on Crown Lands partly paid for would
be limited to 50% of the amount already paid, with the possible
addition of up to 50% of the value of improvements. Before
advances can be made conditions could be improved rendering it
necessary for the land to be registered under the Land Registra-
tion Ordinance.

4. Advances would cover a period of 30 years; the rate of

interest charged would be adjusted to cover expenses. If it
assumed that the money to start the bank bears interest at
then it might be found possible to cover expenses by charging
on advances to settlers. I recommend the following system of
payment:-

- (1) For the first five years; interest to be paid half-
yearly, at 7% per annum
- (2) At the end of five years, the advance, with interest due on the
unpaid portion, should be repaid within the next 25 years by
half-yearly instalments, consisting partly of principal and
partly of interest. The amount payable in this manner would
be about Rs. 50 (subject to verification) half-yearly, except for
the last 2 1/2 years.

These could also be paid off before maturity.

3. The following remedies against default would be necessary
as a result of:-

- (a) The money, whether principal or interest, is not repaid,
- (b) The advance having been wrongfully or fraudulently applied,
- (c) The debtor becoming insolvent or bankrupt,
- (d) The debtor being a breach of the conditions of the advance,
- (e) The advance not being applied within a reasonable time,
would be permissible:-

- (1) to refuse to pay any unpaid portion of the advance
 - (2) Three months after the demand for repayment, without
recourse to court of law, to take possession of and
sell by public auction the whole or any part of the
security for the advance,
 - (3) to transfer the land or other security to the purchaser
and give a valid title.
7. All proceedings to complete the security and lodge title
deeds must be executed within the 12 months of the approval of the
advance.

8. The minimum advance would be 250 - the maximum would
depend on the amount of capital at the disposal of the bank. If
the capital were 2500,000, a safe maximum in the first instance

would

to be 400. The maximum obtainable by a class A farmer under
the Soldier Settlement Scheme whose land was valued at 42
acres would be 412, the amount being capable of increase
if development had been effected. 293

v. The operation of the Act is controlled by legis-
lation, but I should like to refer to the application
of the Act to the land of the Government.

The land of the Government is divided into two classes,
Class A and Class B. Class A land is land which is
capable of being used for agricultural purposes and
Class B land is land which is not capable of being used
for agricultural purposes. The Act applies to Class A
land and the Government is required to sell Class A
land to the Government at a price which is not less
than the price which it would fetch on the open market.

The Government is also required to sell Class B
land to the Government at a price which is not less
than the price which it would fetch on the open market.
The Government is also required to sell Class B
land to the Government at a price which is not less
than the price which it would fetch on the open market.