

## LOAN COMPANIES BILL.

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### EXPLANATORY MEMORANDUM.

THE effect of the mortgages extension legislation upon building societies and mortgage companies whose legitimate business includes receiving moneys on deposit to be lent out on fixed terms may possibly in some cases force the society or company into liquidation, since it is restrained from requiring repayment of principal moneys due from its mortgagors, while it is liable to repay its depositors.

Such societies or companies are perfectly solvent, and each has assets considerably in excess of its liabilities, and in each case if the principal sums due on mortgage were collected, all the creditors, including depositors, would be paid, and the shareholders' paid-up capital would remain intact with a surplus of accrued reserve.

The effect of this Bill is to postpone the calling-up of the unpaid capital of shareholders until the expiration of the moratorium of mortgages, the depositors and other creditors (if any) receiving interest at the rate of 6 per centum on their allowed proofs; and to allow the Supreme Court to approve schemes for the transfer of mortgages to creditors in satisfaction of their proofs.

The last clause provides that the Act shall expire on the 31st December, 1924, the date approved for the expiry of the moratorium of mortgages.

No. 103—1.

*Hon. Sir Francis Bell.*

## LOAN COMPANIES.

### ANALYSIS.

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### A BILL INTITULED

AN ACT to make Special Provisions applicable in the Liquidation of Loan Companies. Title.

BE IT ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:—

1. This Act may be cited as the Loan Companies Act, 1921-22. Short Title.

2. In this Act, unless inconsistent with the context,— Interpretation.

10 “Building society” means a building society constituted under the Building Societies Act, 1908:

“The Court” means the Supreme Court of New Zealand:

15 “Mortgage company” means an incorporated company whose principal object and business is the lending of money on mortgage of land for fixed terms of years or on conditions providing for the repayment of principal and the payment of interest by fixed periodical payments.

3. (1.) In any liquidation of a building society or a mortgage company, whether the winding-up be voluntary, or compulsory, or under the supervision of the Court, the liquidator shall, before making any call upon the shareholders, make application to the Court for direction. Special provisions applicable in liquidation of loan companies.

25 (2.) If it is proved to the satisfaction of the Court that the liquidation has been the result directly or indirectly of the postponement by law of the due dates for payment of the principal sums secured by mortgages held by such building society or mortgage company, and that such principal sums are more than sufficient, if collected by the liquidator, to satisfy the debts and obligations of such building society or mortgage company, and that the aggregate interest payable under the provisions of such mortgages is more than  
30 sufficient to provide interest at the rate of six per centum per annum

on the amount of the allowed proofs of creditors, the Court shall (unless for special reasons in any case it deems fit to direct otherwise) direct the liquidator—

- (a.) To realize and convert into money as soon as conveniently may be all assets other than mortgages and the sums secured by mortgage, and to apply the proceeds of such realization and conversion in payment to the creditors in proportion to the amounts of their allowed proofs: 5
- (b.) To collect and get in all interest payable under the mortgages at the due dates for payment thereof: 10
- (c.) To collect and get in all sums payable at fixed periods under the mortgages providing for repayment by periodical payments of fixed sums, and to apply such parts of such payments as represent principal in the manner directed by paragraph (a) hereof, and to apply such 15 parts of such payments as represent interest in the manner hereinafter directed:
- (d.) To apply the interest-moneys received under the provisions of paragraphs (b) and (c) hereof, first, in payment of the liquidator's costs, charges, and remuneration; and, 20 secondly, in payment half-yearly to the creditors of interest upon the respective amounts of their allowed proofs then outstanding and unpaid at the rate of six per centum per annum or at such other rate as the Court may from time to time direct; and as to the 25 surplus interest-moneys (if any) in any year, to apply such surplus in the manner directed by paragraph (a) hereof:
- (e.) Not to make any call of unpaid capital due by the shareholders until the thirty-first day of December, nineteen 30 hundred and *twenty-four*.
- (3.) The Court may, in its discretion, at any time after giving such directions, rescind or vary the same.
- (4.) The Court may sanction any scheme for the realization of mortgages or for the transfer of mortgages to creditors in full or 35 partial satisfaction of the claims of creditors.

Duration of Act.

4. This Act shall continue in force until the thirty-first day of December, nineteen hundred and *twenty-four*, and no longer.