

TRUSTEE SAVINGS BANKS AMENDMENT BILL

EXPLANATORY NOTE

This Bill amends the Trustee Savings Banks Act 1948.

Clause 1 relates to the Short Title.

Clause 2 substitutes a new definition of the term trading bank.

The new definition is any bank for the time being named in the First Schedule to the Reserve Bank of New Zealand Act 1964.

Clause 3 removes the provision whereby trustee savings banks could not lend money to current account holders by way of overdraft.

Clause 4 consolidates and amends section 24 of the principal Act, which relates to the power of trustee savings banks to invest money.

The only amendments are as follows:

The new section 24 (1) (g) is a new provision which empowers a bank to lend money by way of overdraft to current account holders.

The new section 24 (2) is a new provision which provides that except with the consent of the Minister of Finance, a bank may not lend money to any person to wholly or partly finance the purchase or construction of any building which is at any time to be occupied wholly or partly by the savings bank.

Right Hon. R. D. Muldoon

TRUSTEE SAVINGS BANKS AMENDMENT

ANALYSIS

Title
1. Short Title

2. Interpretation
3. Operation of current accounts
4. Power to invest money

A BILL INTITULED

An Act to amend the Trustee Savings Banks Act 1948

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

1. **Short Title**—This Act may be cited as the Trustee Savings Banks Amendment Act 1979, and shall be read together with and deemed part of the Trustee Savings Banks Act 1948* (hereinafter referred to as the principal Act).

10 2. **Interpretation**—Section 2 of the principal Act is hereby amended by repealing the definition of the term “trading bank”, and substituting the following definition:

15 “‘Trading bank’ means any bank for the time being named in the First Schedule to the Reserve Bank of New Zealand Act 1964.”

3. **Operation of current accounts**—Section 18A of the principal Act (as inserted by section 8 of the Trustee Savings Banks Amendment Act 1972) is hereby amended by repealing paragraph (c).

*Reprinted 1973, Vol. 2, p. 1663
Amendments: 1975, No. 23; 1976, No. 27; 1977, No. 23; 1977, No. 180;
1978, No. 129

4. Power to invest money—(1) The principal Act is hereby further amended by repealing section 24, and substituting the following section:

“24. (1) Subject to the provisions of this Act and of section 34c of the Reserve Bank of New Zealand Act 1964, any savings bank may invest any money deposited in the bank or belonging to the bank in any of the following ways: 5

“(a) In securities issued by the Government of New Zealand that are registered in a register kept in New Zealand pursuant to Part VIA of the Reserve Bank of New Zealand Act 1964: 10

“(b) On mortgages of estates or interests in land in New Zealand (with or without collateral securities over any other property):

“(c) In the bonds, debentures, or other securities of any local authority that are authorised investments for the investment of trust funds under the provisions of section 4 of the Trustee Act 1956: 15

“(d) On deposit in any trading bank or in the Post Office Savings Bank: 20

“(e) On deposit in a National Savings Investment Account under the National Savings Act 1940:

“(f) On personal loans to individuals (but not partnerships), with or without security:

“(g) In lending money by way of overdraft to holders of current accounts: 25

“(h) In such other manner as may be prescribed by regulations under this Act.

“(2) Except with the consent of the Minister, a savings bank shall not lend money to any person to finance, wholly or partly, the purchase or construction of any building which is at any time to be occupied wholly or partly by the savings bank. 30

“(3) Any money invested by a savings bank under subsection (1) (b) of this section shall— 35

“(a) Be secured to the bank by a real security as defined in section 4 (3) of the Trustee Act 1956 or by a second mortgage of an estate in fee simple:

“(b) In the case of a first mortgage, not exceed three-quarters of the value of the estate or interest mortgaged as assessed by a person whom the bank reasonably believes to be competent to make the assessment, or such higher proportion of that value 40

(as so assessed) as may from time to time be fixed by the Minister subject to such conditions as he thinks fit to specify:

5 “(c) In the case of a second mortgage, not exceed the difference between three-quarters of the value of the estate mortgaged (as so assessed), or such higher proportion of that value (as so assessed) as may from time to time be fixed by the Minister subject to such conditions as he thinks fit to specify, and the principal outstanding under the first mortgage.

10 “(4) Notwithstanding anything in subsection (3) of this section, it shall be lawful for a savings bank to invest money on a first mortgage of the interest of any lessee of any land
15 subject to the following terms and conditions:

“(a) No advance shall be made for a period exceeding the unexpired term of the lease:

20 Provided that, where the lease confers a right of renewal upon the lessee, the period for which the advance is made may extend to the end of one renewed term of the lease:

Provided also that no advance shall be made for a period exceeding 25 years:

25 “(b) The amount of any advance shall not exceed, either two-thirds of the value of the lessee’s interest in the land as assessed by a valuer registered under the Valuers Act 1948, or two-thirds of the value of the lessee’s interest in the land as set forth in the district valuation roll prepared under the Valuation of Land Act 1951, whichever is the greater, or such higher proportion of the greater of those values as may from time to time be fixed by the Minister subject to such conditions as he thinks fit to specify:

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35 “(c) No advance shall be made unless the lessee is entitled to compensation in respect of all improvements on the land which are made by him or in which he has an interest or unless the lease was granted under paragraph (e), paragraph (f), or paragraph (g) of section 7 (1) or section 11 (b) of the Public Bodies Leases Act 1969 or unless the repayment of the advance is guaranteed by a local authority:
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- “(d) The savings bank shall be deemed, without further authority than this paragraph, to have been irrevocably appointed as the attorney of the lessee with full authority during the currency of the mortgage to exercise on behalf of the lessee all the lessee’s rights, powers, and options and to perform and observe on behalf of the lessee all the lessee’s covenants and obligations under the lease: 5
- “(e) No advance shall be made except in respect of a lease granted by a local authority, a leasing authority within the meaning of the Public Bodies Leases Act 1969, or any other body or person approved for the purpose by the Minister by notice in the *Gazette*: 10
- “(f) Each advance, together with the interest thereon, shall be repayable by periodical instalments of principal and interest: 15
- “(g) Unless the savings bank otherwise consents, every advance shall, without further authority than this paragraph, become immediately repayable upon the sale, transfer, or other disposition of the whole or any part of the lessee’s interest in the land: 20
- “(h) A savings bank shall not invest in mortgages under this subsection more than 5 percent of the total amount for the time being standing to the credit of the depositors in the bank. 25
- “(5) Notwithstanding anything in subsection (3) or subsection (4) of this section—
- “(a) Subject to such conditions as may be determined from time to time by the Minister, it shall be lawful for a savings bank to invest money on a mortgage of an estate or interest in a cross-lease residential unit that is a self-contained residential unit together with the appurtenances thereto (being a unit which is one of a number of units erected on land held in common ownership), the title to which comprises— 30 35
- “(i) An undivided share as tenant in common in the fee simple estate in the land on which the residential units are erected where all shares in the fee simple estate are held by lessees of the units and the land is used solely for residential purposes; 40
and

5 “(ii) A lease of a specified residential unit erected on the land shown on a plan deposited in the office of the District Land Registrar for lease or licence purposes, which lease provides for an unexpired term of not less than 99 years and for the payment of a nominal rental only:

“(b) Any money invested by a savings bank under this subsection shall—

10 “(i) In the case of a first mortgage, not exceed three-quarters of the value of the estate or interest mortgaged as assessed by a person whom the bank reasonably believes to be competent to make the assessment, or such higher proportion of that value (as so assessed) as may from time to time be fixed by the Minister subject to such conditions as he thinks fit to specify:

15 “(ii) In the case of a second mortgage, not exceed the difference between three-quarters of the value of the estate or interest mortgaged (as so assessed) and the principal outstanding under the first mortgage, or such higher proportion of that value (as so assessed) as may from time to time be fixed by the Minister subject to such conditions as he thinks fit to specify.

25 “(6) Every savings bank shall at all times keep in cash or in its current account or imprest account or in such other resources immediately available as may be approved in that behalf by the Minister sums amounting in the aggregate to not less than the following proportion of the total amount for the time being standing to the credit of the depositors in the bank, (other than sums standing to the credit of depositors in current accounts opened under section 18A of this Act):

30 “(a) Where the total of that amount does not exceed \$20,000,000, 5 percent of that amount:

35 “(b) Where the total of that amount exceeds \$20,000,000, 5 percent of the first \$20,000,000 of that amount and 2½ percent of the excess over \$20,000,000:

40 “Provided that a savings bank may hold such lesser aggregate sum as may be permitted from time to time by the Minister, for such period and subject to such conditions as he may specify.

“(7) Every savings bank shall at all times keep in cash or in its current account or imprest account, or in such other resources immediately available as may be approved in that behalf by the Minister, sums amounting in the aggregate to not less than such proportion of the total amount for the time being standing to the credit of depositors in current accounts opened under section 18A of this Act as may be prescribed from time to time by the Governor-General by Order in Council: 5

“Provided that a savings bank may hold a lesser aggregate sum than that prescribed by Order in Council of such amount as may be permitted from time to time by the Minister, for such period and subject to such conditions as he may specify. 10

“(8) In any notice issued under section 36c of this Act, the Minister may declare that deposits or bonds or securities of a specified type for the time being held or outstanding shall be deemed to be amounts standing to the credit of depositors for the purposes of subsection (6) of this section.” 15

(2) The following enactments are hereby consequentially repealed: 20

- (a) Section 3 of the Trustee Savings Banks Amendment Act 1957:
- (b) The Trustee Savings Banks Amendment Act 1958:
- (c) Section 8 of the Trustee Savings Banks Amendment Act 1964: 25
- (d) The Trustee Savings Banks Amendment Act 1966:
- (e) Section 2 (2) of the Valuers Amendment Act 1968:
- (f) So much of the Third Schedule to the Public Bodies Leases Act 1969 as relates to the principal Act: 30
- (g) The Trustee Savings Banks Amendment Act 1970:
- (h) Section 10 of the Trustee Savings Banks Amendment Act 1972:
- (i) Section 4 of the Trustee Savings Banks Amendment Act 1973: 35
- (j) Section 14 (3) of the Reserve Bank of New Zealand Amendment Act 1973, and so much of the Schedule to that Act as relates to section 24 of the principal Act:
- (k) Section 3 of the Trustee Savings Banks Amendment Act 1976: 40

- (1) So much of the First Schedule to the Reserve Bank of New Zealand Amendment Act 1977 as relates to the principal Act:
- 5 (m) Section 3 of the Trustee Savings Banks Amendment Act (No. 2) 1977:
- (n) Section 3 of the Trustee Savings Banks Amendment Act 1978.