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SECOND REPORT

OF THE

COMMISSIONERS

APPOINTED TO INQUIRE INTO

FRIENDLY AND BENEFIT BUILDING SOCIETIES

PART I.

Report of the Commissioners on Benefit Building Societies.

WITH

Reports of Assistant Commissioners.

Presented to both Houses of Parliament by Command of Her Majesty.

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COMMISSION.

VICTORIA R.

Victoria by the Grace of God of the United Kingdom of Great Britain and Ireland,
Queen, Defender of the Faith,

To Our right trusty and well-beloved Councillor Sir Stafford Henry Northcote, Baronet, Companion of Our Most Honorable Order of the Bath; Our trusty and well-beloved Sir Michael Edward Hicks-Beach, Baronet; Our trusty and well-beloved Sir Sydney Hedley Waterlow, Knight, one of the Aldermen of the City of London; Our trusty and well-beloved John Bonham-Carter, Esquire; Our trusty and well-beloved Evan Matthew Richards, Esquire; Our trusty and well-beloved Charles Saville (*sic*) Roundell, Esquire; Our trusty and well-beloved Francis Thomas Bircham, Esquire; and Our trusty and well-beloved William Pollard Pattison, Esquire, greeting;

Whereas We did by Warrant under Our Royal Sign Manual having date the Twenty-ninth Day of October One thousand eight hundred and seventy appoint you to be Our Commissioners to inquire into the existing state of the Law relating to Friendly Societies, and to inquire into and report upon the operation of the Acts relating to Friendly Societies, and Benefit Building Societies, and the organization or general condition of Societies established under such Acts respectively, and upon the Office and Duties of the Registrar of Friendly Societies, with power to suggest any improvements to be made in the Law with respect to the matters aforesaid:

Now know ye, that We have revoked and determined, and do by these Presents revoke and determine the said Warrant bearing date the Twenty-ninth Day of October one thousand eight hundred and seventy, and every matter and thing therein contained. And we, reposing great confidence in your zeal, discretion, and ability, have authorized and appointed, and do by these Presents authorize and appoint you the said Sir Stafford Henry Northcote, Sir Michael Edward Hicks-Beach, Sir Sydney Hedley Waterlow, John Bonham-Carter, Evan Matthew Richards, Charles Saville (*sic*) Roundell, Thomas Francis (*sic*) Bircham, and William Pollard Pattison, to be our Commissioners to inquire into the existing state of the Law relating to Friendly Societies, and we do further enjoin you or any two or more of you to inquire into, and any three or more of you to report upon, the operation of the Acts relating to Friendly Societies and Benefit Building Societies and the organization or general condition of Societies established under such Acts respectively, and upon the Office and Duties of the Registrar of Friendly Societies, with power to suggest any improvements to be made in the Law with respect to the matters aforesaid.

And for the better discovery of the Truth in the Premises, We do by these Presents give and grant to you or any two or more of you full Power and Authority to call before you or any two or more of you such Persons as you may judge necessary, by whom you may be better informed of the Matters herein referred for your consideration, and also to call for and examine all such Books, Documents, or Records as you shall judge likely to afford you the fullest information on the subject of this our Commission, and to inquire of and concerning the Premises by all other lawful ways and means whatsoever; and our further will and pleasure is that you or any three or more of you

do Report to us, under your Hands and Seals, with as little delay as may be consistent with the due discharge of the Duties hereby imposed upon you, your opinion on the several matters herein submitted for your consideration, with power to certify from time to time your several proceedings in respect of any of the Matters aforesaid, if it may seem expedient to you to do so.

And we do further Will and Command, and by these Presents ordain that this Commission shall continue in full force and virtue, and that you our said Commissioners, or any two or more of you, shall and may from time to time proceed in the execution thereof, and of every matter and thing therein contained, although the same be not continued from time to time by adjournment. And for your assistance in the execution of these Presents, we have made choice of our trusty and well-beloved John Malcolm Ludlow, Esquire, barrister-at-law, to be Secretary to this Commission, to attend you, whose services and assistance we require you to use from time to time, as occasion may require.

Given at Our Court at Saint James's the Seventeenth Day of August One thousand eight hundred and seventy-one, in the Thirty-fifth Year of Our Reign.

By Her Majesty's Command,

(Signed) H. A. BRUCE.

SECOND REPORT.

TO THE QUEEN'S MOST EXCELLENT MAJESTY.

1. We, Your Majesty's Commissioners appointed to inquire into and report upon the operation of the Acts relating to Friendly Societies and Benefit Building Societies, and the organization or general condition of societies established under such Acts respectively, and upon the office and duties of the Registrar of Friendly Societies, with power to suggest any improvements to be made in the law with respect to the matters aforesaid, humbly beg leave to submit to Your Majesty this the Second Report of our proceedings, with the Minutes of Evidence and other documents hereto annexed.

2. Since the date of our last Report, our labours have been facilitated by the appointment of four Assistant Commissioners, viz., Sir George Young, Bart., the Hon. E. Lyulph Stanley, Mr. George Culley, and Mr. E. Lynch Daniell, and by the issue of Your Majesty's gracious Commission, dated 17th August, 1871, by which our quorum has been reduced to two for the purpose of receiving evidence.

*The Friendly Societies Commission Bill.
The new Commission.
Sittings in Scotland, Ireland, and the Provinces.*

3. After some preliminary investigation by our Assistant Commissioners, amongst whom the field has been divided within the limits indicated below,* we proceeded, with their help, to open the inquiries of our Commission in Scotland, Ireland, and the provinces of England, by holding sittings in Edinburgh (two days), Glasgow (five days), Belfast (two days), Dublin (two days), Cork (two days), Manchester (four days), and Liverpool (five days). Another sitting was to have taken place at Norwich, but was unhappily prevented by the severe illness of Mr. Bircham, brought on by his journey to that place for the purpose of the sitting.

4. We are bound at the outset to say that, for want of sufficient powers and facilities for obtaining evidence, and for indemnifying witnesses, and for want also of the legal assistance for which we applied, we have been unable to make our inquiry into certain portions of the field committed to us for investigation as exhaustive as we desired. It will hereafter be matter for consideration whether, within limits narrower perhaps than those of the Friendly Societies Bill of last session, some such inquiry should not still be carried out by authority of Parliament. As a matter of fact we have had occasionally to receive evidence of which, we fear, none of those who heard it could doubt the deliberate falseness; we have failed in many cases to elicit that which we believe would have been important; and we have been compelled to leave almost untouched a whole line of inquiry, of which the evidence of Mr. Aspinall, the coroner for Liverpool, may show the significance, but which, as involving criminal charges, could not adequately be carried out without powers of compulsion and powers of indemnity.

Hindrances to an exhaustive inquiry.

5. Notwithstanding these drawbacks, and notwithstanding those arising from the state of confusion in which we found the registrar's office in Scotland, we have obtained information which throws great light upon several classes of societies. We look to our Assistant Commissioners, who have already rendered us very efficient service, to procure more such information for us, and we propose, whilst they are continuing their labours, to examine witnesses conversant with some parts of the subject which we have not yet dealt with, or have not dealt with fully.†

Valuable information obtained.

* Mr. Culley, Scotland and the four northern counties; Mr. Lyulph Stanley, the English counties north of a line extending from Severn to Humber, and comprising therefore the bulk of the manufacturing districts; Sir George Young, the English counties south of the same line; Mr. Daniell, Ireland and Wales; the Metropolis being reserved.

† The following lists of questions for circulation have been supplied to the Assistant Commissioners, viz:—

- Questions for burial societies employing agents or collectors.
- „ affiliated societies.
- „ branches of affiliated societies.
- „ ordinary friendly societies.
- „ persons not members of friendly societies.
- „ magistrates.
- „ clergy.
- „ industrial and provident societies.
- „ county court judges.
- „ benefit building societies (for Scotland and Ireland only).

In addition to the above, the Local Government Board has kindly undertaken to circulate a list of questions to boards of guardians, and a list addressed to coroners and procurators-fiscal has been issued from the office of the Commission, the replies to both of which are now coming in.

The Scotch and Irish registry offices.
(1.) *The Scotch registrar.*

6. In the meanwhile we would in the first instance call the attention of Your Majesty's Government to the state of the Scotch and Irish Registrars' Offices.

7. A painful part of our duty has been the investigation into the office and duties of the Registrar of Friendly Societies for Scotland. In Mr. A. Carnegy, Ritchie we found an aged gentleman of courteous manners and evidently benevolent character, who threw his office open to the inquiries of our Assistant Commissioner with entire unreserve. But it would be idle to attempt in anywise to gloss over the fact that Mr. Ritchie is now perfectly incompetent for the fulfilment of his duties. He does not, in fact, attempt to fulfil them, the business of the office being entirely carried on for him by another gentleman of advanced years himself, Mr. Alexander Mackenzie, who holds no official position, is in no sense officially responsible, and has not had any legal training. Of the utterly unsatisfactory state of the register, though somewhat improved since Mr. Mackenzie took it in hand, the memorandum by the Secretary (Appendix No. 1) subjoined to this report, will give an idea, and it is not too much to describe it as "a mere waste book of the most insufficient description."

General complaints against the office in Scotland.

8. As might be expected, complaints of the administration of the office are almost universal in Scotland. It is indeed creditable to the clearness of the Scotch intellect that it has been able sharply to distinguish between the usefulness of the office and the inefficiency of its present holder, and it is still more creditable to Scotch common sense that the condition of societies coming within the influence of the registrar's office departs on the whole as little as we have found it to do from the standards of legality and fair dealing. At the same time we are bound to say that, as respects building societies especially, bodies have received the registrar's certificate which appear to us to be entirely out of the purview of the law, and indeed Mr. Mackenzie (who, it must be recollected, is the real interpreter of the Act for Scotland), on his examination before us, appeared to be perfectly ready to sanction any rule approved of by a general meeting.

See qq. 8923, 8926.

(2.) *The Irish registrar.*

9. Considered from a strictly legal point of view, the present position of the Irish registrars' office presents strong analogies to that of the Scotch. In both countries the work of the office is really done by persons whom the law has not designated for the purpose. In both countries (see Memorandum by the Secretary on the Register of Friendly Societies for Ireland) the state of the register is decidedly unsatisfactory. In Ireland Mr. Lysaght Griffin appears to be registrar in little more than name. He scarcely ever attends at the office, the whole business of which, except the signing of official papers, is carried on by his friend and solicitor, Mr. R. F. Littledale, except in those cases of doubt in which Mr. Littledale feels himself obliged to refer to the registrar for advice. Practically, however, the result is entirely different in the two cases. Mr. Griffin and Mr. Littledale are both gentlemen of intelligence and capacity, and the energy and good-will which the latter has thrown into the discharge of his vicarious functions have brought the Irish office into a state of great efficiency, whilst, in entire opposition to what we had met with in Scotland, its administration appears to be almost universally popular. Again, irregular as is the form of the Irish register of friendly societies, yet, as shown by the Secretary's Memorandum, in Mr. Littledale's hands it is nevertheless an efficient organ. These, indeed, must be considered to be in the main the results of happy accident, since not one irresponsible vice-registrar in a thousand could be expected to display the same qualities as Mr. Littledale, and it is understood, moreover, that that gentleman declines to carry on the work of the office any further on the present terms, as interfering too much with his business as solicitor.

Insufficient remuneration of Scotch and Irish registrars.

There should be one registrar for the United Kingdom, with assistants in Scotland and Ireland.

10. We cannot, indeed, but observe that the unsatisfactory condition of both the Scotch and Irish registrar's offices appears to us to be in great measure attributable to the inadequacy of the remuneration allowed to these functionaries. But another cause of the mischief, we think, lies in the want of a supreme authority which would secure uniformity of practice; and if the registrar's office is to be maintained, we would strongly recommend that a single registrar for the United Kingdom, with assistants at Edinburgh and Dublin, should be substituted for the present system, reserving, perhaps, an appeal, as to questions of Scotch and Irish law, to some special legal authority in either country. Mischiefs must arise from the same laws having to be construed in the three countries by three independent officers, and that this is no mere speculation we shall presently have to show by a striking instance in reference to the certification of benefit building societies.*

q 15,984.

* Should such a change be made as that of connecting the Scotch and Irish registries with the English, we would mention a suggestion urged by Mr. Littledale, that the duties of the former offices might be as well, if not better, discharged by solicitors than by barristers. This is, perhaps, especially true of Ireland, where the societies are generally in a lower stage of development than the English or Scotch ones, and where the registrar's interference is exercised and freely accepted to a degree which would be neither necessary nor practicable in England.

11. We have felt bound to make the above observations in view especially of the state of the Scotch registrar's office, and of the urgent necessity existing there for the introduction of new arrangements. We proceed now to the class of societies to which the evidence appended to our first Report exclusively related, viz. Benefit Building Societies. Mr. Gourley's amended bill of the last session but one, "to consolidate and amend the laws relating to benefit building societies," was brought before us by a deputation from its promoters, the Building Societies Protection Association. In addition to the gentlemen who represented the association, we examined in London 34 officers of building societies, and took pains to invite also the attendance of adverse witnesses. To that evidence, which was confined to the English societies, must now be added the reports hereto annexed of our Assistant Commissioners, Mr. Culley and Mr. Daniell, on the Scotch and Irish Building Societies respectively, and the evidence of certain witnesses examined by ourselves on the subject in Scotland and Ireland.*

12. After our investigations into building societies had closed, we received from the Building Societies' Protection Association copies of a new and further amended bill, which has been introduced in the present session, and which appears to us a great improvement on its predecessor.

13. It is perhaps necessary, before going into the consideration of the law affecting benefit building societies, to guard at once against a misapprehension involved in the very title of the societies themselves. According to the intention of the Act by which building societies are regulated, and to the practice of two out of three of the sister kingdoms "building societies do not build; they simply make advances on building." They are in fact investment associations, mainly confining themselves to real securities. The few exceptions to this rule in England appear to arise chiefly where money has been advanced for the purposes of a building speculation, which the borrower fails to carry out, and which the society is compelled to take in hand and complete. In Scotland, on the other hand, bodies answering to the English and Irish building societies, and certified under the Benefit Building Societies Act⁽¹⁾, are very frequently called investment companies, whilst bodies which actually do build, even when called building societies, are often constituted under the Companies Act⁽²⁾, but instances are not wanting of associations founded partly or wholly for the actual erection of buildings which have obtained a certificate from the Scotch registrar under the former Act⁽³⁾.

14. It must, indeed, be observed that this was the older practice, of which the present title of "benefit building society" is a relic. In Mr. J. A. Langford's interesting "Century of Birmingham Life," we find recorded, under date December 3rd, 1781, "certain proposals for establishing a society for building on lands belonging to William Jennings, Esq.," which embrace several of the features of modern societies,—monthly subscriptions (10s. 6d.), a committee annually elected, the making of rules by a majority of the members; but the immediate purpose is building for the members, by a machinery similar to that of the modern freehold land society (although leasehold interests only are proposed to be created).†

15. It does not appear whether the speculation referred to in the above-mentioned proposal was ever carried out, but 14 years later (Jan. 26, 1795) we find mention made of "some of the building clubs," evidently treated as well-known bodies, which "have made a beginning" on certain newly enclosed land "upon a scale of 20 houses and

Subject as above the present Report confined to benefit building societies.

Mr. Gourley's bill of 1870 brought before the Commission by the Building Societies Protection Association. The new bill.

The term "building society" open to misconception. 2, 2897.

See qq. 6603-7 qq. 7964-70.

(1) See qq. 8929-9057, 9058-82, and Mr. Culley's report, paras. 25-8.

(2) See qq. 9063-9279; 9910-46; 12,859-927.

(3) See qq. 12,503-67.

The name a witness of the older practice, as instanced from Birmingham in 1781.

Further evidence of the older practice.

* See the examination of Messrs. Edward Ravenscroft and Hugh Cameron (Edinburgh) Qq. 9063-279; John Auld (Edinburgh), Qq. 9910-46; James Smith McIlwraith (Glasgow), Qq. 12,603-67; George Walker (Glasgow), Qq. 12,859-927; George Macgregor and William Tait Ross (Glasgow), Qq. 12,928-13,010; James Glenn and Thomas B. Johnson (Belfast), Qq. 13,667-806; William E. Armstrong and William Cambridge (Belfast), Qq. 13,807-921; Robert Carswell (Belfast), Qq. 13,922-3; James Owen and A. H. Mercer (Dublin), Qq. 15,050-164; William Daly (Dublin), Qq. 15,165-78; John Lalor (Dublin), Qq. 15,326-71; W. J. Hancock (Dublin), Qq. 15,372-408; and John Thomas Le Mert, John Guisani, and F. Guy (Cork), Qq. 16,275-462.

See also the evidence at Edinburgh of Mr. James Colville (Qq. 8929-9057), and the Rev. Dr. James Begg (Qq. 9058-62), and that of the Scotch and Irish registrars or their assistants.

† The following are extracts from the articles:

"III. That each subscriber for three shares shall have one or more houses built of the value of 200 guineas, and each subscriber for two shares shall have one or more houses, value 140l.; and each subscriber for one share shall have a single house, value 70l.

"IV. That the rents and profits of the said intended buildings be paid into the hands of the treasurer, and added to the general fund or stock.

"V. That the committee shall have power to contract for the leasing of the lands intended to be built upon in such proportions as they shall think proper, and for such terms, not less than 110 years, and subject to a ground rent not exceeding 1½d. per square yard.

"VII. That the land intended for building upon shall be laid out in lots and balloted for by the subscribers, and separate leases made and executed, but such leases to remain in the hands of the committee till the proposed buildings are completed."

society is established, or else pay a large amount of back subscriptions, in the latter he may become a member at any time, without making any such payment. And the latter class offers many advantages to both investing and borrowing members which a terminating society cannot offer. In a permanent society, the investors can always ascertain the exact length of time during which they will have to pay their subscriptions, if the regular payment be enforced by fines; and it is always comparatively easy to ascertain the amount to which any investing member, who may wish to withdraw, is entitled; whilst in a terminating society the members will be unable to calculate, with any degree of certainty, how long the society will exist, and, consequently, how long they will be required to subscribe, and it will be absolutely necessary to impose fines on those members who do not pay their contributions regularly. But it is to the borrowing member that the permanent system holds out the greatest inducements, for it enables him to extend his repayments over any fixed number of years, at his own choice, with the absolute certainty of clearing his property from the incumbrance, and freeing himself from all further liability, at the end of that time; and to feel, when he mortgages it, that he can redeem it at any time, on payment of a sum easily calculated, and that, whether the society prove successful or no."

Advantages of permanent societies.

19. The law relating to Societies is unquestionably in a very unsatisfactory state. The Benefit Building Societies Act, 6 & 7 Will. 4. c. 42, incorporated the provisions of two statutes then existing in reference to friendly societies, but which have since been repealed, and which only retain a kind of posthumous existence through these incorporated provisions, greatly to the bewilderment of even able judges. Doubts are entertained as to whether Acts subsequently passed in reference to friendly societies, and in particular the Act 9 & 10 Vict. c. 27, have affected building societies, and whether the last-mentioned Act, which has been repealed, affects them still. The three registrars have adopted each a different construction of the law, and have grounded a different practice upon it, so that if the registrar for England be right the registrar for Scotland must be wrong, and *vice versa*; the registrar for Ireland having indeed the merit of enforcing safety by combining the requirements which correspond to each conflicting construction. Hence it is doubted whether at the present day there is any valid registration since 1850. A legal doubt of such a magnitude quite overshadows all the lesser ones which flow in individual cases from the many fluctuations in practice of the late registrar for England, such as the allowance, disallowance, and re-allowance of borrowing powers for successive periods.

Unsatisfactory state of the law.

Incorporated provisions of Acts now repealed.

See q. 6150.

Doubts as to application of subsequent Act

Davis, pp. 1 and following, and see qq. 3010-16.

Conflicting practice of the three registrars q. 3015.

Fluctuations in practice at the registrar's office.

20. Again, the Benefit Building Societies Act itself (the authorship of which is very variously accounted for) is probably one of the worst drawn which yet remain on the statute book. The language of its first and leading section is incapable of grammatical construction, and the Act so bristles throughout with doubts that, to use the words of a witness, "almost every line of it" has had to be brought to the test of judicial interpretation.

Imperfection of the Act itself.

q. 6521.

21. So far, as respects the purely technical aspects of the law; but if we look to its more substantial features, they are no less unsatisfactory. There can hardly be a greater contrast than there is in this case between the law and the facts to which it corresponds. The Act of the 6 & 7 Will. 4. c. 32, read through the practice of the bulk of existing societies, and the practice of those societies read through the text of the law, are almost equally unintelligible. The most important class of existing building societies, the permanent, were not thought of at the time the Act was passed. Terminating societies of the particular form which were contemplated, although we have found them to be still numerous, have so far gone out of favour that a London witness has treated them as almost obsolete. Scarcely any witness whom we have examined attempts to deny that the large organizations of the present day are entirely beyond the intentions of the framers of the Act, although it is contended by many that they still in a manner fulfil its purposes. We have thus before us the singular spectacle of a multitude of bodies, many of them with numerous members, and wielding considerable money powers, which have wholly outgrown the law by which they are nominally governed.

Incongruity between the law and the facts.

q. 3066.

The large societies of the present day have quite outgrown the law.

22. We proceed now to state the results of our inquiries as to the organization or general condition of these societies. We may here again point attention to the fact that, whilst friendly societies have supplied a subject for inquiry to several parliamentary committees, this is the first time that any investigation has taken place into benefit building societies. The original Act was not founded on the report of a select committee, and appears to have slipped unheeded through parliament. Returns from

Organization.

No investigations hitherto into building societies.

English building societies have twice been moved for in the House of Commons, but appear to have been very incomplete; those recently presented, on a motion of Mr. Gourley, unquestionably are so.* It must be understood that the only form of registration at present existing in England for building societies is the enrolment with the clerks of the peace for the counties; that this is in general strictly confined to the formation of such societies, no record of their dissolution being kept; so that the only way in which such statistics as are now before the House in the matter could be obtained was by first procuring from the clerks of the peace lists of all enrolments, and then sending forms to the various societies whose names appeared on such lists, with the certainty that a large number would be sent back in blank through the Dead Letter Office, or otherwise, owing to the dissolution, and often utter disappearance of the societies. The forms, moreover, do not appear to have been sent out with sufficient care, and the terms of the resolution of the House of Commons, which had to be followed, seem not to have been so framed as to elicit the requisite information.

No registration except with clerks of peace, and that only of formation of societies. Necessary imperfection of returns.

No trustworthy statistics.

23. We are not, therefore, able to offer any complete statistics of these bodies. The "Building Societies Protection Association" of London has communicated to us its own list, and certain statistical data collected by it, which have been of use to us in our investigations, but which we have found, nevertheless, to be incomplete in many instances, several large individual societies, or what are sometimes called "connexions" (being groups of societies under the same or nearly the same management) being omitted. But we will endeavour to give some idea of the magnitude of the movement.

Attempt to estimate the number of members.

24. It will appear from the secretary's memorandum that the Home Office returns show a total of 1,024 existing and returning societies in England and Wales, with 212,093 members, or an average of over 207 members per society. But it is shown that owing to the return being confined to "subscribing members," the above figures must be quite below the mark, since one society which only returns 175 "subscribing" members states that it has also 355 "borrowing" members, and eight Birmingham societies give, in their private return to the Building Societies Protection Association, more than double the number of members returned to the Home Office. The returns of the Building Societies Protection Association, on the other hand, give a total of 114,652 members to 126 societies,† or an average of nearly 910 to each, but this is certainly as far above the mark as the other statement is below it. If, however, we consider that some of the largest societies which are included in this list have made no return to the Government, and that those which have done so have not included in those returns various classes of persons whom they have returned as members to the Association, it will probably be felt that an average of 400 members per society, embracing in that term all who are recognized as such by the rules of the several societies, and therefore liable for their engagements, will not be too much for the whole of England. But the non-returning societies may possibly be as numerous as those which have made returns.‡ If, then, we assume that the total number of existing societies in England and Wales is 2,000, and the average number of members 400, the total number of members would be 800,000. And these figures, be it observed, are those of two years ago.

Attempt to estimate financial transactions.

25. If we attempt to estimate the financial transactions of these societies as a whole, the figures will be still more surprising. Here the statistics of the Association afford the only basis. Of the 126 societies above mentioned, the total assets of two are not set down; deducting these, and making one necessary correction, 124 societies out of the 2,000 which we have supposed to exist give the following results:—

	£
Amount to credit of investing members - -	4,939,770
Balance due by the societies on loans and deposits - -	3,178,651
Entire assets - - - -	8,696,727
Balance due to the societies on mortgage advances - -	8,222,045
Amount received during the financial year - -	5,630,365

* See Appendix A. to our First Report, memorandum by the secretary on these returns.

† We deduct from this list the great Birmingham Land Society.

‡ Mr. Allott's statistics show more than double the number of members of terminating societies in Sheffield alone that are returned for all Yorkshire.

But as these returns include most of the important societies, they do not afford a satisfactory basis for an average generally applicable to all.* If, however, as a mere estimate, we suppose these 124 societies, forming about one sixteenth of the total estimated number, to do one half of the business of the country, we shall have a group of bodies with a subscribed capital of over 9,000,000*l.*, a loan and deposit capital of over 6,000,000*l.*, over 17,000,000*l.* total assets, having over 16,000,000*l.* advanced on mortgage, and an income of over 11,000,000*l.*

26. A few instances of the magnitude of specific societies, and of their growth, may also be quoted. *Instances of magnitude and growth.*

27. The list put in by the Association shows 22 societies of over 1,000 members each, of which one has nearly 17,000, another 10,000, one over 8,000, one 7,500, one over 6,000, one over 5,000, four over 3,000, and two over 2,000. But the "Queen's," of Manchester, which is set down at 8,270 members in the list, was stated before us by its secretary to have now about 10,000. The "Bradford Third Equitable," set down at 5,661, was stated to have 6,015. The "Birkbeck," set down at 16,929, was stated to have "about 25,000." The "Leeds Permanent," set down at 6,364, appears by its last balance sheet, which has been forwarded to us, to have now 7,277. The list does not include the Burnley Building Society, with nearly 3,000 members, the "Bradford Second Equitable," with 2,341 members, or the "Sheffield and South Yorkshire" Society, with 1,142 members. *(1.) As to number of members.*
q. 5926.
q. 6647.
q. 7951.
q. 5638.

28. Again, the list shows 10 societies with over 100,000*l.* yearly income, of which

1 had over - - - 1,500,000*l.*
2 over - - - 400,000*l.*
2 over - - - 300,000*l.*
1 over - - - 200,000*l.*

Eight with over 100,000*l.* to the credit of their investing members, of which

1 had over - - - 700,000*l.*
1 over - - - 500,000*l.*
1 over - - - 400,000*l.*
1 over - - - 300,000*l.*
1 over - - - 200,000*l.*

Eight owing over 100,000*l.* on loans and deposits, of which

1 had over - - - 600,000*l.*
3 over - - - 200,000*l.*

13 with over 100,000*l.* owing to them on mortgage advances, of which

1 had over - - - 900,000*l.*
2 over - - - 700,000*l.*
1 over - - - 600,000*l.*
1 over - - - 400,000*l.*
1 over - - - 300,000*l.*
3 over - - - 200,000*l.*

And 13 with over 100,000*l.* assets, of which

1 had over - - - 900,000*l.*
1 over - - - 800,000*l.*
2 over - - - 700,000*l.*
1 over - - - 400,000*l.*
1 over - - - 300,000*l.*
4 over - - - 200,000*l.*

And the evidence before us showed, amongst other instances of increase, that the "Queen's," of Manchester, set down in the list as having received in the year 391,182*l.*,

* For Sheffield, indeed, Mr. Allott's statistics (*see n. p. 247 of "Memorandum"*), as compared with the Building Societies Protection Association returns from the same town, give averages higher than those of the association :-

	Amount to credit of investing members.	Amount due by societies on deposits.	Amount owing to societies by borrowers.
B. S. P. A.	£ 5,458	£ 8,700	£ 16,264
Mr. A.	10,183	12,532	26,192

6732-A.
4. 6749.

The movement much less important in Scotland and Ireland.
Estimates for Scotland.

had increased its income to 439,630*l.*, and brought to our notice the "Bradford Second Equitable," with an income of 180,779*l.*, 203,000*l.* due on loans, and 290,450*l.* owing to it on advances; the "Leeds Provincial," with 156,380*l.* outstanding on mortgage; the "Burnley Building," with 140,000*l.* subscribed capital; the "Sheffield and South Yorkshire," with 133,115*l.* owing to it on mortgage, and 312,079*l.* total assets; whilst, according to its last report, the "Leeds Permanent," set down at 367,769*l.* for mortgage advances, and 376,421*l.* assets, has increased those two figures to 462,161*l.* and 478,202*l.* It is but fair on the other hand to say that one or two large societies show upon the evidence some diminished figures.

29. The above calculations apply only to the building societies of England and Wales. In Scotland and Ireland the movement has not attained to the same proportions; in Ireland (the north excepted) it may be said to be as yet almost insignificant.

30. Mr. Culley estimates the number of building societies registered in Scotland and now existent at 88. Twenty-one of these which have sent in answers have together 7,120 members, giving an average of over 323 to each; but as one of them, the "Scottish Property Investment Company," has a proprietary body, and carries on transactions of quite exceptional proportions for Scotland, it seems fair to strike this out of the total, which would then yield an average of 205 members. Reckoning 87 out of the 88 societies at an average of 200 members only, and adding the 2,800 members of the "Scottish Property Investment Company," we get a total of 20,635 members for the whole of Scotland—probably an under-estimate.* And applying the same process to the financial elements given in Mr. Culley's table from the returns of 21 societies, i.e., deducting the first return from the totals, multiplying the average results by 87, and then adding the omitted figures, we shall arrive at the following estimate for Scotland:—

	£
Amount to credit of investing members - - -	823,282
Balance due by the societies on loans and deposits - - -	474,916
Balance due to the societies on mortgage advances - - -	1,285,923
Subscriptions received during financial year - - -	119,493

Mr. Culley's tables do not enable us to estimate the total income of the societies, nor their total assets. The first figure, i.e., including repayments and all other sources of income, would probably come to nearly a million of pounds yearly, whilst the total assets could hardly come short of a million and a half.† The one large society, the "Scottish Property Investment Company," has 129,865*l.* to the credit of its investing members, and 224,692*l.* owing to it on mortgage.

Estimates for Ireland.

31. In Ireland, where, according to Mr. Daniell's report, there are only 17 societies in all, the number of members in eight societies which have given returns on the point is 2,528; but here again, as in Scotland, we find another triton among the minnows in the "Irish Civil Service Building Society," with its 1,500 members. Following the same process as with the Scotch societies, i.e., deducting this figure and averaging the rest, we get an average of 146 members, which, multiplied by 16, the total number of societies minus 1, gives 2,336, or adding the "Irish Civil Service," 3,836 for all Ireland,—rather more than the membership of the English "Halifax Permanent." Applying a similar process to nine societies which return the amount standing to the credit of their investing members, to seven which return the amount of their subscriptions for the year (including one which has received nothing), to seven which return the balance due to them on advances, and to seven which return the amount of their loans and deposits (including three which have none), we arrive at the following results for Ireland:—

	£
Amount to credit of investing members - - -	419,984
Balance due by the society on loans and deposits - - -	147,139
Balance due to the society on mortgage advances - - -	644,820
Subscriptions received during year - - -	20,230

* Mr. Culley concurs in this view, "as the country societies have as a rule more members than, for example, the Glasgow societies," which are included in his tables, while many country societies have made no returns.

† Mr. Culley has supplied us with a calculation from the documents in his possession almost exactly confirmatory of the above estimate, which gives the figure of 1,094,807*l.* for the annual income, and 1,563,896*l.* for the total assets of the Scotch societies.

The remarkable feature of which is the small amount of loan capital, as compared both with the subscription capital and the mortgage assets. The one large society, the "Irish Civil Service," returns 93,133*l.* 9*s.* 4*d.* as standing to the credit of investing members, 2,323*l.* 13*s.* 9*d.* as the subscriptions for the year (it has "ceased to receive shares"), 114,263*l.* 7*s.* 2*d.* as the balance due on mortgage advances, and 18,766*l.* 1*s.* 10*d.* as owing by the society on loans.

32. Let us now examine the development, upon the basis of a law shown to be so imperfect, of a class of bodies so remarkable.

33. If we look into the Building Societies Act, amidst all the looseness of its wording, we shall find the clearly ruling purpose to be that of enabling "the industrious classes," by mutual help, to erect or purchase dwelling houses. The scope of the Act might indeed appear to be wider still, and to include the acquisition of land, since the preamble speaks of "obtaining a small freehold or leasehold property;" but as the result of successive judicial decisions on the subject it must now be taken that, although a building society may invest its surplus funds in land, the acquisition of land cannot be made its primary object. The means for effecting the purpose of the Act are indicated to be monthly or other subscriptions to a common fund, not to exceed 20*s.* per month per share, shares not exceeding 150*l.* in value, and advances on mortgage out of the common fund to the amount of the shares held, to be gradually repaid; with power to the society to make rules, impose fines and forfeitures, and with certain privileges and exemptions.

Purpose of the Building Societies Act.

Davis, pp. 203, 267.

34. But resolved into its elements, and discarding technical limitations, the idea of a building society, as now existing, appears to be that of an association of persons subscribing into a common loan fund, which is employed in advances on house property or land, generally, but not necessarily, repaid by instalments. These advances are indeed almost always made nominally to members; but when members habitually become such for the sole purpose of borrowing, the taking out shares and receiving advances being simultaneous transactions,—when, to use the words of the secretary of a large London society, men can "come out of the street" and borrow from the society,—it can no longer be said that the element of mutuality is essential to the type. Indeed one very large and prosperous body certified under the Building Societies Act, though belonging to a special group, to be presently noticed, the National Freehold Land Society, makes, "as a rule," all its advances to strangers, without going through the form of constituting them members. So in Scotland the "Standard Investment and Building Society" (now transformed into a limited company) with 216,932*l.* owing to it on mortgage—see Mr. Culley's report, para. 20—has "not a single shareholder who has an advance."

The present idea of a building society.

q. 7034.

Mutuality no longer an essential element.

q. 7340.

q. 9171

35. And whilst the borrowers in a building society are in most instances little more than nominal members, so, on the other hand, a vast number of members are not borrowers or intending borrowers. Instead of all the members being expectant borrowers, as appears to have been at first the case, and is still the case in some groups, the two classes of investors and borrowers are now distinct, the former usually outnumbering the latter and monopolizing the profits.

Members and borrowers now distinct classes, the former preponderant.

36. The most remarkable features, however, by which the present state of things differs from that contemplated by the Act are, first, the growth of the permanent societies; second, the growth of the loan or deposit system.

Growth of permanent societies and of the borrowing system.

37. The terminating societies, which alone existed at the passing of the Building Societies Act, are formed, as their name expresses it, to terminate, either when a certain amount per share has been realized, or at a fixed period, whether such amount had been realized or not. All the members of such societies join at once, or at all events within the first few years, the payment of back contributions being necessary for after-joining members, in order to put them on a footing of equality with the original ones, which condition soon becomes so onerous that the society ceases to attract new comers. In like manner, but for a converse reason, all the borrowing from such a society is done within the first few years, because when it is approaching its termination, the monthly repayments required to pay off a loan within the estimated period become so heavy as to deter borrowers from coming forward. Hence it is a pretty general feature amongst terminating societies that all their activity is concentrated within the first few years of their existence. During these few years, again, it is now almost invariably the case that they resort very largely to loans, in order to obtain as much money as they can for placing out; advances being made either on the principle of ballot, or of sale to the highest bidder, sometimes on both principles alternately, as in the so-called "ballot and sale" societies, of late years, according to one witness, a very popular class of society in the metropolis. On the other hand, during the latter years of their existence, as repayments come in more and more, terminating societies have generally a plethora

Characteristics of terminating societies.

qq. 2850-1.

Terminating societies are chiefly active during first few years, and then borrow largely.

q. 4288.

Terminating societies have plethora of money in their latter years, and often lend to other societies.

of money. This they very often employ (though some witnesses strongly condemn the practice) in advances to other societies which are just starting, and this is one of the reasons why terminating societies are so often formed in series No. 1, No. 2, No. 3, &c., all the members of the series being under the same or virtually the same management, and very generally carried on at the same offices.

Terminating societies still popular in some parts of the country.

q. 6283.

38. Although some witnesses, especially metropolitan ones, appear to consider that terminating societies are dying out, we see great reason to doubt this opinion. We have had evidence on the contrary that in many parts of the country (Oldham, and several of the smaller towns of Lancashire,—Sunderland,—South Wales), terminating societies are still formed in great numbers, and are preferred by the working classes to permanent ones. Oldham men, says an Oldham solicitor, "like to see the end" of their societies. It appears certain that owing to the comparative fewness of the number of members, and to the smaller scale generally of their transactions, the evils of mismanagement in a terminating society are likely also to be of less wide-spread consequence than in a permanent one. On the other hand the operations of terminating societies are extremely complicated, and they have various other disadvantages.

The gratuitous loan societies, Bowkett, Starr-Bowkett, &c.

q. 4321-2.

39. Amongst terminating societies indeed one group must be distinguished which, amid some variety of detail, offers marked characteristics of its own, we mean the societies originally founded by Dr. Bowkett, and the greater number of which are now known as Starr-Bowkett societies.* The peculiarity of these societies is the advancing of money without interest, to be repaid as in ordinary societies by instalments. Hence, whilst ordinary societies are already able, owing to the repayments commencing immediately, to make advances bearing a much closer proportion to the actual value of property than individual lenders can do, the Bowkett and Starr-Bowkett societies often advance actually up to the full value. They are thus no doubt especially adapted to the wants of the very poorest class. We need not dwell on other peculiarities of these societies, such as the return of subscriptions after the last appropriation. It requires, indeed, to be noticed, though on consideration it will appear self-evident, that by their very constitution these societies cannot take loans, since receiving no interest they cannot afford to pay any. In a few instances, however, loans appear to be contracted. This is an evident and dangerous mistake, and a witness who is solicitor to Starr-Bowkett as well as to various other classes of societies, and who views borrowing powers as being essential to building societies in general, is of opinion that loans should be forbidden to the former class.

q. 4341.

The Permanent societies.

q. 8162.

40. Passing now to that which is unquestionably the more important of the two great divisions among building societies at the present day, the permanent societies, we find their origin differently accounted for. One witness connects them with the rise of land societies (to which group we shall presently advert), but his evidence appears to be almost entirely based on local experience. More probably the permanent society grew out of the practice of forming terminating societies in series, so as to accommodate fresh groups of applicants. Instead of forming a fresh society for each group, it appeared simpler to let the society go on indefinitely, and to admit members at any time. By this means, instead of the whole society coming to an end, the only thing that would come to an end was its connexion with the individual member. As tersely put by one witness, "a permanent society is a terminating society to every individual from the date at which he enters."

q. 4035.

Simplicity and regularity of operations in permanent societies.

The question of borrowing powers in relation to them.

41. The operations of a permanent society appear to be in themselves much less complicated and more regular than those of a terminating one. There need be no alternation of energy and stagnation; the money has not all to be put out in the first few years; the demand for it increases steadily with the progress of the society, except when arrested by causes of a general nature, such as a commercial crisis. But this feature of a constant demand for advances from the society leads to a corresponding demand of the society for loans; and the question of borrowing powers, if it does not assume greater importance than for the terminating society, presents itself under a new shape. The demand for loan capital on the part of terminating societies, being only for a limited period, can generally be met by advances from bankers, either on promissory notes, or merely on the credit of the society. Although this expedient is frequently resorted to by permanent societies, yet their demand is in the main for loans of a less temporary character, and it is chiefly met by one or both of two means: 1st, deposits at interest; 2nd, paid-up shares.

The deposit system.

q. 3306.

42. Although the word "deposit" is according to the practice of the registrar's office invariably struck out from building societies' rules the excision of the word is at all events

* The Starr-Bowkett societies appear to be almost confined to the metropolis and the immediately adjacent counties.

purely nugatory, since the sums of money deposited with building societies are in not a few cases of enormous amount. So great indeed is the confidence of the public in these societies, that many of them have to resort to various means in order to check the influx of deposits. The rate of interest, originally always 5 per cent., has been reduced to 4 by several of the large societies; in one case it is reduced to 3 per cent. only,* and is then made to cease from the date of notice, for which six months are required; yet, notwithstanding this act of practical confiscation the money still comes. The competition of building societies with banks is in Newcastle admitted to be very severe; nor is it difficult to see that a building society, with its money secured on freehold and leasehold property, and a constant incoming of repayments by monthly instalments, may fairly be preferred by a portion at least of the public as a field of investment for spare cash to a bank, whose securities may be of a much more uncertain character and fluctuating value. It appears certain at all events that building societies have been able to traverse commercial crises without suffering from anything in the shape of a run on their deposits.

43. The other form of loan, viz., paid-up, preference, or realised shares, although sanctioned for some years by the registrar's office, and therefore practised by many important societies, is now held by the Registrar, on the strength of an opinion of Sir Roundell Palmer, to be illegal. Apart even from the legality of the practice, doubts are entertained as to the remedies which would be available at law to the holders of paid-up share certificates, which are unstamped. In the Newcastle district, however, it may be observed, almost the whole borrowing of the societies takes place by means of paid-up shares. A large and very flourishing society of Birmingham, the "Queen's," looked upon by its founder as a model one, is established on the same principle, as well as another large one of the same name at Manchester.

44. But with the extension and organization of the borrowing system in permanent building societies, a new feature appears to be for the most part imparted to them; they become often mainly agencies for the investment of capital, rather than for the enabling the industrious to provide dwellings for themselves. It is true that these investing societies, as they may be termed in contradistinction to the societies founded on the principle of gratuitous loans, divide themselves into two classes, one of which,—the self-styled mutual societies,—professes to require only from the borrower the same interest which is allowed to the investor. And although this can never be strictly the case, since the borrower's interest must be the main fund for payment of management, and therefore should always be slightly the higher, still instances may be quoted, such as that of the excellent Leeds Permanent Society, where this object appears to be substantially reached. Contrary to general practice, this society aims at minimizing its profits, although it literally cannot help making some. On the other hand, the mere fact that the usual recommendation which building societies put forth for themselves is the large rate of profit which they give to investors, is a clear proof of the high rate which the borrower has to pay for his money.† Seven, eight, nine per cent. is frequently admitted to be received from him by the officers of societies, whilst their enemies allege that vastly larger rates of interest are obtained; one frequent means of doing so, and which seems to lead to mischievous consequences to the societies themselves, being the treatment of premiums deducted as money actually received, and on which interest is charged. Where, indeed, as too often happens in less well managed societies, the whole premium is taken credit for as profit in the year in which it is deducted, the accounts of the society are wholly falsified, and the results often prove disastrous. But all such evils are avoided in a society like that at Leeds, where no premium is taken, and the borrowing member stands absolutely on the same footing as the investing member, as respects the sharing of profits, the right of voting, &c.

45. A remarkable group of permanent societies, though one of diminishing importance, is that of the land societies registered as benefit building societies. Whatever may have been the original intention of the promoters of the Benefit Building Societies Act, or the practice of the forerunners of the present societies, it is, as before observed, clearly

qq. 6111-12.

qq. 8219-21.

The paid-up share system.

q. 8178.

Mr. Strachan and Mr. Harle, *passim*.*Permanent societies tend to become mere investing societies.*

q. 8274.

q. 5108.

q. 8292.

Evidence of Mr. Campbell, Mr. Jones, Mr. Williams, and Mr. Friedlein.

qq. 4973, 5005.

Land societies.

* In the "Scottish Property Investment Company" the rate is 3 per cent. for money at call, and 3½ per cent. on money lodged for six months (Mr. Hugh Cameron, q. 9191.)

† The high rate of interest paid is frankly admitted by some witnesses as a necessity of the case. "People would not come to our society," said Mr. Taylor, of Birmingham, "if they could get the money elsewhere. If a man could get the money in any other way besides belonging to our society, he would never pay 50l. premium for 500l." (q. 3802.) On the other hand, Mr. Strachan says that "it is difficult to get money placed on private mortgages now in and about Newcastle in consequence of the action of building societies; it is almost all lent through the medium of these societies" (q. 4645.)

Messrs.
Whitting-
ham and
Grüneisen's
evidence.

q. 7364.

q. 7390.

Permanent societies alleged to be transforming building societies into middle-class organizations.

(1) Mr. Harle's evidence, *passim*.

(2) qq. 8234-5.

qq. 7719-20.

qq. 7717, 7721-2.

qq. 7612-3.

q. 8196.

q. 7936.

q. 6775.

Statistics of mortgages under and over 300l.

Working class largely intended, but the idle class generally preponderant the larger permanent societies.

established by a series of decisions that, although building societies may invest their surplus funds in the purchase of land, they are not justified in purchasing land officially by way of speculation. A mode of evading the law was, however, discovered by Mr. James Taylor, jun., of Birmingham, by means of which societies could be established virtually for the very purpose of such purchases, the risk of the purchase being taken by gentlemen not officially connected with the society, to whom the conveyance is made, and the funds being then advanced by the society on the security of the land. Since, however, the constitution of joint stock companies with limited liability, the tendency has been to substitute land companies for land societies. The two largest metropolitan land societies, the "National Freehold" and the "Conservative," have thus now land companies specially associated with them, and have themselves subsided into the business of ordinary building societies, as mere agencies for advancing money on real property or chattels real. On the other hand, the original Birmingham society still successfully holds its ground as a nominal building society, playing into the hands of real ones, and similar bodies exist in various other quarters. The large capital, however, required for the purchase of landed estates with a view to allotment renders the machinery of the limited company really better adapted to the purposes of a land society than that of the benefit building society, and whatever should eventually be considered the best mode of dealing with building societies generally, we have no hesitation in saying that the name should not be used as a mere cloak for bodies of a different description. In their machinery, indeed, their borrowing system, including in some cases the receipt of deposits on a large scale, and the division of their profits, land societies do not differ from ordinary permanent building societies, and appear to enjoy the same confidence on the part of the public, giving but a low rate of interest on their deposits. We would especially point out for commendation the practice of the "National Freehold Land Society," as offering an example which, so far as we are aware, has not been followed by any other building society, that of publishing a weekly statement of its receipts and payments, and money in hand.

46. It is admitted by even an adverse witness that on the whole permanent societies have as yet been judiciously managed; that failures of building societies, which used to be very frequent in the epoch of terminating societies alone, are now rare⁽¹⁾. It is, however, alleged that the growth of them has altogether changed the character and altered the sphere of the building society movement; that it tends to throw this more and more under the direction and into the hands of the middle classes, and to secure to them its benefits⁽²⁾. It is, indeed, startling to hear of single advances, not only of thousands, but of twenty and thirty thousand pounds being made by building societies, sometimes on the security of mills and factories; and it is roundly alleged by some witnesses, that when this is the case, there is no more money to spare for small borrowers, and that the working classes, by whom and for whose benefit the system was primarily devised, are discountenanced and kept away. It is maintained as positively to the contrary, that the smaller advances are always preferred to the larger ones, as being much more secure, by dividing the chances of loss over a wider field, and that the larger ones do themselves benefit the working classes, by serving as means of investment for the capital which these classes deposit with the societies, and which might otherwise often remain idle.

47. Some statistics which have been laid before us by the London Building Societies Protection Association, and which we have no reason to believe other than accurate, as far as they go, tend to show that building societies do still mainly carry on their dealings with the working class, or with a class but slightly superior in station. These consist of returns from 213 existing and from 38 terminated societies, of the number of mortgages granted, distinguishing those not exceeding 300l. from those for larger sums. The total for the whole country shows 69,879 advances of the lower rates to 9,393 of the higher, or rather less than one of the latter in nine. For the metropolis the proportion is somewhat closer—15,009 to 2,627 or, about one in six. It must, indeed, be observed that these figures cannot be held conclusive without knowing also the number of separate mortgages to the society, since it is clear that many advances under 300l. may be made to the same person—a builder for instance—on separate securities. Nor can we overlook the circumstance that some of the largest societies in the metropolis—*e.g.*, the "Temperance," the "Planet," the "Monarch," numbering together over 20,000 members—have made no return.

48. It appears, indeed, unquestionable, that whilst the smaller terminating societies remain very often still under the management of the working classes, or of persons very near to them in point of station, the larger permanent societies at least are almost invari-

ably under the direction of the middle class. That this is beneficial to the working class themselves, from the business habits and greater practical experience, as well as the more responsible position of the latter class, is maintained by more than one witness. As respects the composition of the societies, the evidence is conflicting. There seems no reason to doubt that in the smaller Lancashire towns, Oldham especially, and in the Starr-Bowkett and other gratuitous loan societies of the metropolis, the bulk of the members consist still of working men. These would be mainly terminating societies; but the number of genuine working men in the better class of permanent societies in Birmingham, in Lancashire and Yorkshire, seems evidently to be very considerable, such members being indifferently either borrowers or investors. In the "Leeds Permanent," about five-sixths of the members belong to the working class⁽¹⁾. From Liverpool we have had some remarkable evidence, that whilst the working men seldom borrow, yet they supply as investors the larger portion of the capital put out by the societies⁽²⁾. In the metropolis, on the other hand, the working men seem generally to form only a minority in the permanent societies, as compared with the middle classes⁽³⁾, although in one of the largest London societies (the Birkbeck) the majority of the borrowers are said to be of the working class⁽⁴⁾. And however the proportion may vary, it is safe to say that the English middle class now enter into the building society movement in much larger numbers, take a much larger share in its direction, and derive much greater benefit from it, than they did 30 or 35 years ago.

49. In Scotland, Mr. Culley reports that "however much aid these societies have given to the tradesman class in enabling them to acquire houses and shops, they have been able to effect little towards improving the dwellings of the labouring class in large towns (para. 17)." In Edinburgh, indeed, through the operation of the building clubs before mentioned, which Mr. Culley reckons at about 100, with from 10 to 20 members each, representing say 1,500 in all, and through that of the "Edinburgh Co-operative Building Society" (as to which see the evidence of Mr. Colville and Dr. Begg), much indirect assistance appears to be given to working men; and though the "Scottish Property Investment Company" has "not over 25 per cent." of its members in receipt of weekly wages, "more loans have been made to working men members during the last three years than during the preceding 18 years of the company's existence." And "the position of the benefit building societies in the smaller country towns, especially where these towns have been making any rapid progress in population, is altogether different," so that such societies "are much resorted to by the labouring class." Thus, "three fourths of the members of the Grangemouth Building Society are working men, whilst the Hawick Working Men's Building Society is almost altogether composed of the same class."

50. In Ireland, Mr. Daniell states that "the proportion of members (of building societies) earning weekly wages who have bought or built houses is unhappily very small, the only building society in Ireland in which this desirable feature exists being the Coleraine Building and Investment Society;" and even here only 23 members are working people in receipt of weekly wages, though "the working men members are gradually increasing."* Two "working men's building societies," one in Dublin and one in Kingstown, seem indeed to belong to the working class, "the secretaries being themselves working men," but they have "very few members who have built or bought houses; advances are applied for only by tenants, who make over the leases of their houses as security to the society." The leading Irish society, the "Irish Civil Service," though it has artisan members, is in the main a middle class body (as indeed its name indicates), and is now virtually a joint stock company, having, as Mr. Daniell observes, closed its share list.

52. On the whole, the facts collected seem to supply the inference that the building society movement, within the much smaller proportions which it there assumes, is following a course in the sister countries exactly the reverse of what we see in England, viz., spreading from the middle to the working class, instead of from the working class to the middle.

* See, however, the evidence of Mr. John Lalor, solicitor to the "St. Michael's" and "Tradesmen's" Building Society at Kingstown, qq. 15,326-71, who states that the former society has many members of the working class "as borrowers," and that "there are more of the working classes" in the latter (qq. 15,350-1). Mr. Glenn, of the Belfast "Union" Building Society, also mentions "mechanics" and small builders as the classes to which advances for building have principally been made (q. 13,722), and Mr. Cambridge, of the "Belfast Equitable," (a society, large for Ireland, of about 900 members) says of that body, "It is a working class society, with one or two exceptions" (q. 13,880).

q. 4707.

q. 6584.

Mr. Ascroft's

and Dr.

Bowkett's

evidence;

also q. 4291.

qq. 3794,

3892, 3914;

q. 6036.

(1) q. 5125,

&c.

(2) qq. 5259-

5262.

(3) qq. 2982-

3; q. 4932;

qq. 7107-8;

(4) qq. 8051-

2, 8114.

para. 17.

*Scottish**building**societies and**the working**class.*

Report,

para. 32.

qq. 8929-

9062.

Para. 17.

*Irish build-**ing societies**and the**working**class.*

Report, p. 3.

p. 24.

Ibid.

Report, p. 5.

qq. 15,064,

15,054,

15,114.

*The move-**ment appa-**rently**spreading in**Scotland and**Ireland**downwards,**in England**upwards.*

Building societies as savings banks.

q. 3657.

q. 5143.

q. 5647.

qq. 3613, 3627-8.

q. 3375.

qq. 4799-4800; qq. 8234-5, &c.

qq. 6456, 6575-83.

Building societies not contemplated by the Act as savings banks.

q. 7411.

The development of building societies has been beneficial.

qq. 6894, and following. Messrs. Williams and Turner,

Mr.

Friedlein, and Mr. Parker,

passim.

q. 5603.

Is the law to remain as it is?

There is no textual law to which the practice can be fitted.

qq. 6354, and following.

31 & 32 Vict. c. 124, s. 11.

qq. 6518-20, 6543, and following.

52. It does not of course follow that because the middle class are now much more largely interested in the building society movement than they were at its inception, it is therefore of less advantage to the class for which the Benefit Building Societies Act was evidently designed. We have had evidence that in the "Queen's" Society at Birmingham, deposits, considered to be on account of shares, are taken to so low an amount as 6*d.*; and the same is done by the "Leeds Permanent." In the "Burnley" Society the minimum is 1*s.* A society which appears to be economically and beneficially conducted, the "Greenwich Industrial," has a special "savings bank department," in which deposits of 1*s.* and upwards by way of loan are received, on which 4 per cent. interest is paid. Viewed thus as savings banks simply, they may be said to represent a type of that institution offering to the working class a share, or the means of obtaining a share, in management, such as is not afforded by the ordinary trustees' savings banks, and a larger rate of interest, and which has been conducted of late years, at all events, with a very small ratio of failures, and a small ratio of loss on those failures. It is asserted, indeed, by a Liverpool witness, that in their capacity of quasi-savings banks these societies are actually fulfilling the very purpose for which they were called into legal being by the late Lord Monteagle, when Chancellor of the Exchequer, and that they were expressly favoured by him as likely to become a vehicle for savings, and thereby to lessen the loss which the country was then sustaining through the ordinary savings banks.*

53. But whatever may have been Lord Monteagle's far-reaching foresight in reference to this subject, it is clear that no intention of organizing a system of vast savings banks, with millions of pounds of deposits invested on landed security, appears in the Benefit Building Societies Act. And although we should not go so far as one witness, who stated that he did not know "of one building society which may be said to have kept strictly to what was intended to be done by a building society," still our investigations have convinced us that the societies which keep closest to the law are almost invariably small in the numbers of their members, unimportant in the extent of their transactions, and confined in many cases, at least, to localities in which there is reason to surmise that they represent only an earlier stage of development in the history of the institution.

54. We are bound to say, indeed, that, looked at apart from considerations of strict legality, the development of building societies appears to have been beneficial to the public. The complaints made against them are, that they encourage building speculations, that their accounts are often deceptive, that their rate of interest to borrowers is exorbitant, that their fines are oppressive, that they do not abide by their rules, especially in repayments to members or depositors; but these mischiefs are not of the essence of this particular type of association. It is also said that the privileges they enjoy allow them to compete unfairly with banks and other forms of private enterprise. On the other hand, they have promoted the investment on real or leasehold security, with very great safety on the whole, of several millions of money yearly; they have enormously encouraged the building of houses for the working and lower middle class (in Ashton-under-Lyne, a witness stated his belief that "50 per cent. of the houses which have been built have been built from building societies"). Originating with the working class, they must have had great influence in training that class to business habits. There is thus no *a priori* ground why the law should look upon them with disfavour.

55. The primary question then arises, as it must do in every such case: Seeing that building societies deserve legal countenance, seeing also that they have outgrown, at all events in its spirit, the law which was originally framed to regulate them,—should the law now be altered to suit the practice, and if so, within what limits? or should it be left as it stands, and if so, should any attempt be made to prevent its provisions being stretched beyond the intentions of its framers?

56. And first, we must observe that in speaking of the law we cannot mean at all events the text of the existing Acts. The course of leaving this as it stands has only been advocated seriously before us by the representatives of an association of building societies at Liverpool, witnesses indeed of considerable weight, Messrs. Hosking and Priest; but even they are scarcely consistent in their demands, for they seek the repeal of the enactment which subjects to stamp duty building society mortgages over 500*l.*, and are desirous to see the system as practised at Liverpool largely extended in the way of taking

* The process is now reversed, the rate of interest allowed to savings banks yielding a small profit to the country. See paper by Mr. Repington, of the National Debt Office, in Mr. Stephenson's evidence, Part II. of this Report, q. 2, p. 8.

deposits, and issuing preference stock? The only law within which we could seek to recall the practice is, it must be admitted, an ideal one, to be reconstructed out of the presumed intentions of the Legislature in framing the Benefit Building Societies Act. Those intentions may be sufficiently obvious to render this practicable, and it is possible that, had they been expressed in apter words, we should have seen a very different system established.

57. But, fortunately or unfortunately, we have to deal not with ideals, but with realities. On the basis of a very imperfectly worded law, a large mass of facts, affecting the interests of at least hundreds of thousands of our fellow countrymen, and yearly millions of their savings, has grown up. We cannot shut our eyes to this; and if law be practically only another name for the rules by which a community of men agrees to do its work and carry on its business, it follows that in order that this work may be well done, this business successful, it is necessary that those rules should be adapted for its purpose; and if a new business has grown up, if a new kind of work is being done, that new rules should be found appropriate to its conduct. What, indeed, has to be seen to and jealously watched is, that no rules be assented to which shall favour one kind of work or business to the detriment of another, if such other work or business be equally deserving of countenance, equally subservient to the common good.

New facts require new laws.

58. The benefit building societies, therefore, which may strike the observer *prima facie* as having overstrained the law which was enacted to regulate them, may fairly on the other hand point to the enormous extent of their development as an equal *prima facie* proof of the real importance of their work, of the value of its claim for appropriate legislation.

The importance of the building society movement claims for it appropriate legislation.

59. Nor can it be overlooked that, if, in comparing the movement as it now is with the statute originally devised to regulate it, we find obvious departures from the spirit of the latter, yet every step in its development has been successively sanctioned by judicial decisions, so that the only way of making it retrace its course is by overruling a whole series of judgments, which at present, taken in conjunction with the text of the Act, and not that Act in itself, constitute the actual "law" of building societies.

Its development sanctioned by judicial decisions.

60. But now arises the further question, how far, under the whole circumstances of the case, this development is a normal one? Whether the benefit building society is not really unduly favoured by legislation? Nay, whether the special privileges which it enjoys do not furnish the only element which prevents it from constituting itself under other legal types of association already existent?

Can the building society be referred to some other type of association now legalized?

61. To take first the last branch of the question, it is beyond doubt that under the Companies' Act limited companies can now be formed fulfilling all the ordinary purposes of a building society in its most extended form of development, making advances on real or leasehold property, receiving payment by instalments, contracting loans without legal limit, issuing preference shares, and, if thought fit, buying and selling land. Not only can this be done, but it is done. In Scotland, in particular, it is stated that one of the largest benefit building societies has lately transformed itself into a joint stock company. The opinion of one of the most intelligent of our witnesses, whose position gives official authority to his evidence, is, that whilst the present organization should be continued for the sake of the small building societies, the large ones should for the future be required either "to come under such regulations as may be deemed proper for securing the benefits contemplated by the Benefit Building Societies Act, or else to retire from it altogether, and to become joint stock companies." "They would carry on their business," he adds, "in precisely the same way, but they would not be entitled to the privileges which are given to small societies by the Benefit Building Societies Act." The representatives of at least one large London society stated that it was only the exemption from stamp duty which deterred building societies from carrying on business under the Companies' Act with very small modifications. The manager of the largest Scotch society would prefer for it the form of the limited company. With respect to land societies, indeed, as has already been stated, the company form is now preferentially adopted as best suited for their purpose.

Limited building companies under the Companies Act.

qq. 3470-3.

qq. 7228-31,

qq. 9138-40.

qq. 7386, 7392.

62. Let us therefore consider what are the privileges by which a benefit building society differs from a joint stock company. The following table will show the chief relative advantages of either form of association:—

Comparison between building society and company.

not afford a ground for supposing that they constitute its only *differentia* from the joint stock company, which if once removed, the one form of enterprise might be expected to merge into the other. We must look deeper into the nature of the two bodies if we would understand the proper functions of each.

65. If we examine carefully the Joint Stock Company on the one hand, as constituted by the 25 & 26 Vict. c. 89, (Companies' Act, 1862), amended by 30 & 31 Vict. c. 131, and the Benefit Building Society, and indeed all other bodies formed on the type of the Friendly Society on the other, we shall find that the leading idea of the former is capital,* of the latter, personal membership.

66. Hence, in the former the memorandum of association must specify "the amount of capital with which the company proposes to be registered, divided into shares of a certain fixed amount." Such capital cannot, nor can the number of members, be increased except by common consent, in some specified form, and notice of every increase must be sent to the registrar; it cannot be diminished except under still more stringent conditions, and the consent of a court of justice. The shares form always a definite number, whether issued or unissued. The share itself is a permanent entity, capable, indeed, when paid up, of losing its individuality by being transformed into stock, but under its own shape or under the equivalent above named, lasting till the dissolution of the society or the formal reduction of the capital; and transfer or transmission by death or other event affecting its owner is its leading incident.

67. In the building society the capital is never fixed; the number of shares is always indefinite, and the share has no permanence. The capital is constantly increasing by the addition of new shares, or decreasing by the withdrawal of existing ones, withdrawal being now the leading incident of the share, transfer or transmission only subordinate ones, whilst such withdrawal is often that of the member himself.

68. It may indeed be said that inasmuch as the Companies' Act does not require the capital to be paid up at any particular period, the issue by a company of shares not yet taken up is practically the same process by which the building society increases its capital. This is true so far as the subscribed and the paid-up capital are concerned. But it must be observed that the requirement of a definite amount of capital at starting, and of definite amounts of increase of that capital, complicates the transactions of joint stock companies with three descriptions of capital, 1st, the nominal, 2nd, the subscribed, 3rd, the paid-up. The building society wholly ignores the first. It cannot have, like a joint stock company, a nominal capital of a million, a subscribed capital of, say 7l., and a paid-up capital (beyond fees paid to the registrar) of 0l. 0s. 0d. Hence it is entirely free from all those mischiefs, or at least those perils, which are inherent in the form of the company with share capital. Its membership remaining always open, it knows no share jobbing, fattens no brokers, needs no settling day on the Stock Exchange. Whatever amount of fraud or mismanagement it may be open to, can only be in the actual carrying on of its business; and to this the company is equally liable.†

69. It may thus be concluded that whilst the form of the joint stock company is well suited for all undertakings which require certain definite amounts of capital at starting, it is not so well adapted for those which are capable of growing gradually from the smallest beginnings. Nor should it be overlooked that the power of withdrawal ought as much to facilitate the gradual extinction of such undertakings when unsuccessful, as the gradual accretion of capital facilitates their growth. A joint stock company once formed can only die, it may be said, by Act of Parliament. Its shares being permanent entities, subject only to a very limited power of reduction of capital, it remains as a shadow, of the same dimensions as its former substance, after all functions of life have departed, unless the cumbrous machinery of legal winding up be brought into play. Although the same machinery may be brought into play in respect of building societies, still it will generally act in their case far more easily, and is constantly dispensed with. Probably no building society ever reaches the legal winding-up stage unless under propositions greatly reduced through previous withdrawals.

70. The two forms of undertaking, we venture therefore to think, have an equal right to subsist, the one for the use of those who seek to make capital, the other for those who seek, having made, to use it. No doubt there may come a stage in the development

society do not supply its raison d'être

The company founded on capital, the building society on membership.

Fixed nature of capital and shares in company. 25 & 26 Vict. c. 89, ss. 8, (5), 34, 12, 28.

30 & 31 Vict. c. 131, ss. 9, and following.

Fluctuating capital and extinguishable shares of building society. q. 4656 & following q. 7389; q. 9127 q. 9140.

Three descriptions of capital in company; only two in building society; no nominal capital.

Different functions of the two classes of bodies.

Both forms deserve to be maintained.

* This does not apply, nor do the following observations, to one class of bodies authorized to be constituted under the Companies' Act, viz., companies "without share capital, limited by guarantee;" see ss. 7, 9, and Form B. of Schedule A. But those provisions are scarcely applicable to any but an insurance business, or at all events one in which the bulk of the expenditure is purely contingent.

† The speculative element does indeed enter into building societies, when advances are sold to the highest bidder. But even then the subject-matter of speculation, being a definite sum of money, has practically a fixed value, as compared with a piece of paper called a share certificate in a company, which may be worth cent. per cent. premium one day, and be unsaleable the next.

- q. 4711. of the former body in which it passes over practically into the latter, when the capital overshadows altogether the membership. This is remarkably exemplified by a large London society, which is understood to have "closed" its share-account. The largest Irish one has done the same. Evidently, from the moment this takes place, the share in the building society acquires an individuality similar to that of the company share, and becomes equally a possible subject-matter of stock-jobbing. The London society referred to, it may be observed, is precisely one which shows its desire to be placed under the Companies Act.
- q. 7263.

The corporate character not a distinction between companies and building societies.

71. In speaking of the difference between bodies which develop themselves by gradual accretion and those which are formed upon a definite amount of capital, real or unreal, we may remark that the mere element of incorporation, though dividing at present the company from the building society, forms no essential distinction, since industrial and provident societies, which belong to the same type as the building society, having unlimited membership, and withdrawable capital, become incorporated by registration.

The building society should be maintained.

72. And here, following up what has been already indicated above, we may at once say that all the various classes of societies which are subject to the jurisdiction of the registrar of friendly societies, the friendly society itself, the benefit building society, the loan society, the scientific and literary society, the charitable institution, the industrial and provident society, the trades' union, all offer this common element of the predominance of membership, and of the gradual growth and diminution of capital. But confining ourselves to the building society, we have come to the conclusion that the institution, however modified since it was first authorized by law, deserves to be maintained as one which, within certain limits, usefully supplements, and does not unfairly compete with, the joint stock company.

What should be its limits?

73. The difficulty of course lies in the fixing of such limits. Two kinds of limit may be conceived, having reference either to the curtailment or abolition of privileges, or to some restriction on the operations of the societies themselves.

Question of removing or continuing fiscal exemptions. Contrariety of opinion among witnesses.

74. With respect to the former, we must say that the question has been constantly presenting itself to us under various aspects throughout our inquiries, of the propriety of continuing to building societies at the present day those privileges—we allude principally to the exemptions from stamp duty—which were conferred upon them at a time when their character was very different from what it generally is now. Every variety of opinion has been represented before us in reference to this matter. It has already been stated that two gentlemen who may perhaps be said to be at the head of the building society interest in Liverpool, otherwise well satisfied with the present law, complain only of the alteration introduced within the last few years, by which building society mortgages above 500*l.* are subjected to stamp duty; that in their view building societies were originally legalized to ease the loss which savings banks caused to the revenue, by directing into another channel the savings of the many, and the exemptions granted to them form part of an original pact which ought not to be disturbed. In direct contrast to these gentlemen, the originator of the Bowkett and other gratuitous loan societies considers that the exemption from stamp duties even thus limited is useless, and that the working classes are indifferent to it. Several witnesses are of opinion that the reduction of stamp duties in general has made the exemption of little or no value; others admit that in the present position of the building society movement it can no longer fairly be claimed; others again object to it as unjust (*). On the other hand, it is strongly insisted by some that its moral value as a token of the countenance given by Government to these societies is such that it ought not to be disturbed (*); again, that it is really no loss to the exchequer, as promoting other transactions which do pay stamp duty, since every exempt mortgage implies at least a duly stamped conveyance, and sooner or later all the other taxed transactions which flow necessarily from individual ownership of land (*); whilst in some cases it seems clear that it is still to this day a real boon to the very class for which it was originally intended (*). "Every half-a-crown is a half-a-crown to a poor man," observed one witness, and another mentioned a case in which a borrower was "getting all his money together by shillings," so that "every shilling was of the utmost importance." Nor should it be overlooked that, on the one hand, with the exception of Dr. Bowkett, every single witness representing societies largely used by the working class, Mr. Taylor of Birmingham, Mr. Ascroft of Oldham, Mr. Andrew of Ashton, the officers of the "Leeds Permanent," Mr. Winterbotham of Stroud, Mr. Blake of Greenwich, Mr. Austin Lee of Burnley, Mr. Peacock, Mr. Prangnell of the "38th Starr Bowkett," are decidedly in favour of the maintenance of the exemptions; and on the other hand those hostile or indifferent to it are either hostile to the movement itself, or are connected with large organizations of a more middle-class character, such as the officers of the Planet, or of the great London land societies and companies.

Ante, s. 56.
q. 4278-9.
qq. 4109-10;
qq. 4768-9;
qq. 7282, 7244;
qq. 7393, 7395;
qq. 5364-8.
(*) qq. 6879-81
(but see
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qq. 8205
and foll., 8245.
(*) qq. 6537;
q. 4112;
q. 4284;
qq. 6306-7.
(*) qq. 3765,
3910-11, 3937;
qq. 4100, 4111-
12;
qq. 6189-91.
q. 4288;
qq. 4927, 4436.

75. In considering this question we must begin by averring our conviction, that however important it may still be to some societies, it is not a vital one for building societies at large; that were all exemptions swept away, the building society has, as shewn above, substantial advantages of its own which would enable it to maintain its ground. Nor are we less satisfied that the question is not a vital one for the competitors of the building society. Building companies under the Companies Act have grown in spite of it. The unstamped receipts of the "Birkbeck" or the "Temperance" do not seem as yet likely to drive the "London and Westminster" or the "London Joint Stock" to the wall. It is rather with a view to the general public that the exemptions appear to us to be objectionable, since it is clear that *prima facie* the taking off from the shoulders of a few of their share of the common burthen must have the effect of laying an increased weight on the shoulders of others. In this view, unquestionably, all exemptions from taxation are mischievous.

The exemptions no longer of vital importance.

76. It is impossible, however, to consider the question of exemption in reference to building societies only. The whole group of societies or institutions with which the building society is connected possesses similar if not always the same exemptions. The chief exemptions themselves, it must be remembered, belong to the building society only derivatively from the friendly society, as arising under an incorporated clause of the Friendly Societies Act, in force at the date when the Building Societies Act was passed, the 10 Geo. 4. c. 56. It is true that the words "bond nor other security" and "form of assurance," under which the building society claims at present the most important of its exemptions, that from stamps on mortgages under 500*l.*, have been modified for friendly societies under several later enactments. The general identity of the exemptions in building societies, friendly societies, and savings banks, and loan societies (as well as industrial and provident societies, which are on the same footing as friendly societies,) will best be shown by the following parallel statement of the chief exemptions given in each of the four Acts, the words in italics indicating the substantial differences between them.

The exemptions cannot be considered in reference to building societies only.

Building Societies. 10 Geo. 4. c. 57.	Friendly Societies. 18 & 19 Vict. c. 63.	Savings Banks. 25 & 27 Vict. c. 57. s. 50.	Loan Societies. 3 & 4 Vict. c. 110. s. 14.
"No copy of rules, power, warrant, or letter of attorney granted or to be granted by any persons as trustee (sic) . . . for the transfer of any share in the public funds, standing in the name of such trustee, nor any receipts given for any dividend in any public stock or fund, or interest of exchequer bills, nor any receipt, nor any entry in any book or receipt for money deposited in the funds of any such society, nor for any money received by any member, his or her executor, administrators, assigns, or attorneys, from the funds of such society, nor any bond nor other security to be given to or on account of such society, or by the treasurer or trustee or any officer thereof, nor any draft or order, nor any form of <i>assurance</i> , nor any appointment of any agent, nor any certificate or other instrument for the revocation of any such appointment, nor any other instrument or document whatever, required or authorized to be given, issued, signed, made, or produced in pursuance of this Act, shall be subject or liable to or charged with any stamp duty or duties whatsoever."	"No copy of rules, nor power, warrant, or letter of attorney granted by any person as trustee . . . for the transfer of any share in the public funds standing in the name of such trustee, nor any order or receipt for money contributed to or received from the funds of any such society by any person liable or entitled to pay or receive the same by virtue of the rules thereof, or of this Act; nor any bond to be given to or on account of any such society, or by the treasurer or any officer thereof, nor any draft or order, nor any form of <i>policy</i> , nor any appointment of an agent, nor any certificate or other instrument for the revocation of any such appointment, nor any other document whatever, required or authorized by or in pursuance of this Act, or the rules of any society, shall be liable to stamp duty."	"No power, warrant, or letter of attorney granted to, or to be granted by any person or persons, or trustee or trustees of any savings bank as aforesaid, nor any power, warrant, or letter of attorney given by any depositor or depositors in the funds of such savings bank to any other person or persons, authorizing him, her, or them to make any deposit or deposits of any sum or sums of money in the said funds on behalf of the said depositor or depositors, or to sign any document or instrument required by the rules or regulations of such savings bank to be signed on making such deposits, or to receive back any sum or sums of money deposited in the said funds, or the dividends or interest arising therefrom, nor any receipt, nor any entry in any book or receipt for money deposited in the funds of any such savings bank, nor for any money received by any depositor, his or her executors or administrators, assigns, or attorneys from the funds of such savings bank, nor any draft or order, nor any appointment of any agent or agents, nor any certificate or other instrument for the revocation of any such appointment, nor any surety bond, nor any submission to, or award, order, or determination of the said barrister, nor any other instrument or document whatever, required or authorized to be given, issued, signed, made, or produced in pursuance of this Act, shall be subject or liable to or charged with any stamp duty or duties whatsoever."	"No note which shall be signed for the repayment of any loan made under this Act, nor any receipt or entry in any book or receipt for money lent or paid, nor any draft or order, nor any appointment of any agent, nor any other instrument whatever required to be made in pursuance of this Act, or of the rules of the society, shall be chargeable with any stamp duty whatsoever. (By s. 7, copies of rules are also exempted from stamp duty; by s. 9, debentures issued for moneys deposited; and by s. 12, bonds by treasurers or persons intrusted with the receipt or custody of money or securities for money.)"

77. It will be clear from the above statement, on the one hand, that the bulk of the exemptions are the same for all the four classes of bodies; on the other, that where they vary, the general result of them is that of exempting from stamp duty the main subject-matter of the business of each,—the policy in the friendly society, the mortgage in the building society, the note or debenture in the loan society. The question of retaining or withdrawing the exemptions thus appears to us one which cannot be satisfactorily dealt with as a whole until we are in a position to offer our final report. There is, however, a special objection of degree to the privileges of the building society. Legislation has limited those of the other bodies above mentioned, on the whole, to certain classes.

Special objection of degree to building society exemptions.

- q. 4711. of the former body in which it passes over practically into the latter, when the capital overshadows altogether the membership. This is remarkably exemplified by a large London society, which is understood to have "closed" its share-account. The largest Irish one has done the same. Evidently, from the moment this takes place, the share in the building society acquires an individuality similar to that of the company share, and becomes equally a possible subject-matter of stock-jobbing. The London society referred to, it may be observed, is precisely one which shows its desire to be placed under the Companies Act.
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75. In considering this question, we must begin by averring our conviction, that however important it may still be to some societies, it is not a vital one for building societies at large; that were all exemptions swept away, the building society has, as shewn above, substantial advantages of its own which would enable it to maintain its ground. Nor are we less satisfied that the question is not a vital one for the competitors of the building society. Building companies under the Companies Act have grown in spite of it. The unstamped receipts of the "Birkbeck" or the "Temperance" do not seem as yet likely to drive the "London and Westminster" or the "London Joint Stock" to the wall. It is rather with a view to the general public that the exemptions appear to us to be objectionable, since it is clear that *prima facie* the taking off from the shoulders of a few of their share of the common burthen must have the effect of laying an increased weight on the shoulders of others. In this view, unquestionably, all exemptions from taxation are mischievous.

The exemptions no longer of vital importance.

76. It is impossible, however, to consider the question of exemption in reference to building societies only. The whole group of societies or institutions with which the building society is connected possesses similar if not always the same exemptions. The chief exemptions themselves, it must be remembered, belong to the building society only derivatively from the friendly society, as arising under an incorporated clause of the Friendly Societies Act, in force at the date when the Building Societies Act was passed, the 10 Geo. 4. c. 56. It is true that the words "bond nor other security" and "form of assurance," under which the building society claims at present the most important of its exemptions, that from stamps on mortgages under 500*l.*, have been modified for friendly societies under several later enactments. The general identity of the exemptions in building societies, friendly societies, and savings banks, and loan societies (as well as industrial and provident societies, which are on the same footing as friendly societies,) will best be shown by the following parallel statement of the chief exemptions given in each of the four Acts, the words in italics indicating the substantial differences between them.

The exemptions cannot be considered in reference to building societies only.

Building Societies. 10 Geo. 4. c. 57.	Friendly Societies. 18 & 19 Vict. c. 63.	Savings Banks. 26 & 27 Vict. c. 37. s. 50;	Loan Societies. 8 & 4 Vict. c. 110. s. 14
"No copy of rules, power, warrant, or letter of attorney granted or to be granted by any persons as trustee (sic) . . . for the transfer of any share in the public funds, standing in the name of such trustee, nor any receipts given for any dividend in any public stock or fund, or interest of exchequer bills, nor any receipt, nor any entry in any book or receipt for money deposited in the funds of any such society, nor for any money received by any member, his or her executor, administrators, assigns, or attorneys; from the funds of such society, nor any bond nor other security to be given to or on account of such society, nor the treasurer or trustee, any officer thereof, nor any draft or order, nor any form of assurance, nor any appointment of any agent, nor any certificate or other instrument for the revocation of any such appointment, nor any other instrument or document whatever, required or authorised to be given, issued, signed, made, or produced in pursuance of this Act, shall be subject or liable to or charged with any stamp duty or duties whatsoever."	"No copy of rules, nor power, warrant, or letter of attorney granted by any person as trustee . . . for the transfer of any share in the public funds standing in the name of such trustee, nor any order or receipt for money contributed to or received from the funds of any such society by any person liable or entitled to pay or receive the same by virtue of the rules thereof, or of this Act; nor any bond to be given to or on account of any such society, or by the treasurer or any officer thereof, nor any appointment of an agent, nor any certificate or other instrument for the revocation of any such appointment, nor any other document whatever, required or authorised by or in pursuance of this Act, or the rules of any society, shall be liable to stamp duty."	"No power, warrant, or letter of attorney granted to, or to be granted by any person or persons, or trustee or trustees of any savings bank as aforesaid, nor any power, warrant, or letter of attorney given by any depositor or depositors in the funds of such savings bank to any other person or persons, authorising him, her, or them to make any deposit or deposits of any sum or sums of money in the said funds on behalf of the said depositor or depositors, or to sign any document or instrument required by the rules or regulations of such savings bank to be signed on making such deposits, or to receive back any sum or sums of money deposited in the said funds, or the dividends or interest arising therefrom, nor any receipt, nor any entry in any book of receipt for money deposited in the funds of any such savings bank, nor for any money received by any depositor, his or her executors or administrators, assigns, or attorneys from the funds of such savings bank, nor any draft or order, nor any appointment of any agent or agents, nor any certificate or other instrument for the revocation of any such appointment, nor any surety bond, nor any submission to, or award, order, or determination of the said barrister, nor any other instrument or document whatever, required or authorised to be given, issued, signed, made, or produced in pursuance of this Act, shall be subject or liable to or charged with any stamp duty or duties whatsoever."	"No note which shall be signed for the repayment of any loan made under this Act, nor any receipt or entry in any book of receipt for money lent or paid, nor any draft or order, nor any appointment of any agent, nor any other instrument whatever required to be made in pursuance of this Act, or of the rules of the society, shall be chargeable with any stamp duty whatsoever. (By s. 7, copies of rules are also exempted from stamp duty; by s. 9, debentures issued for moneys deposited; and by s. 12, bonds by treasurers or persons intrusted with the receipt or custody of money or securities for money.)"

77. It will be clear from the above statement, on the one hand, that the bulk of the exemptions are the same for all the four classes of bodies; on the other, that where they vary, the general result of them is that of exempting from stamp duty the main subject-matter of the business of each,—the policy in the friendly society, the mortgage in the building society, the note or debenture in the loan society. The question of retaining or withdrawing the exemptions thus appears to us one which cannot be satisfactorily dealt with as a whole until we are in a position to offer our final report. There is, however, a special objection of degree to the privileges of the building society. Legislation has limited those of the other bodies above mentioned, on the whole, to certain classes.

Special objection of degree to building society exemptions.

Those of the friendly society are confined to societies paying not more than 30*l.* by way of annuity, or 200*l.* in one sum by way of assurance. Those of the industrial and provident societies are confined practically* to persons holding an interest not exceeding 200*l.* in the society. The loans of a loan society are confined to a maximum of 15*l.* to be owing from the same person at the same time. The limit of savings' bank deposits is 30*l.* per annum, 150*l.* in the whole, and if the amount should accumulate to 200*l.* interest ceases. In the Building Societies Act an intention is discernible of confining the interest of members to 150*l.* each, but the language wholly fails to carry this out, and the only practical limit to their exemptions is that of the stamp on mortgages above 500*l.* This, it is clear, is a much higher limit than in any of the other cases referred to, and it should at all events be lowered to 200*l.*, which seems to be a figure running through the whole group of enactments, loan societies excepted.

Suggested lowering of the limit of stamp duty on mortgages.

Other privileges of building societies.

The guinea registration fee.

Discharge of mortgage by receipt indorsed.

Payment of small sums for intestacy without administration.

Priority against debtor's estates to be abolished.

Mr. Gourley's bill.

Consolidation approved of. Connexion of building societies with registrar's office should be maintained.

78. We have hitherto viewed the question of building societies' privileges solely in reference to their chief privilege, that of exemption from stamps. It will be remembered that, as compared with joint stock companies, they enjoy several others, for instance, the registration of rules for a guinea, whilst the minimum fee for a joint stock company is 2*l.*, with a rising *ad valorem* scale. On the whole we do not see the need for interfering with this. It must be remembered, on the one hand, that the building society is in this respect placed at a disadvantage with respect to the friendly society and the industrial or provident society, which pay no registration fee at all; on the other, that the high fees imposed on joint stock companies may be presumed to have for their object the checking of mere bubble companies with fictitious capital, a form of mischief, as shown already, from which the building society and its congeners are entirely free. As respects, again, the discharge of mortgages by receipt indorsed, all that can be said is that it is difficult to see why the same principle should not be made universal. The privilege of paying on intestacy sums of 20*l.* or under due to a deceased member without letters of administration, arising under the old Act of 10 Geo. 4, c. 56, is narrower than that now enjoyed by friendly societies and savings banks, which extends to sums of 50*l.*, and might safely, as the bill proposes, be raised to that amount. The privilege of priority against the estates of deceased debtors on the other hand (which, it may be observed, has been withheld already from industrial and provident societies), is so intrinsically unjust, that we think it should be at once withdrawn.†

79. Having thus come to the conclusion that the legal type of the building society is to be maintained, and that the law respecting it needs amendment, we proceed to the consideration of the bill laid before us.

80. The principle of the bill—that of consolidation, as opposed to mere amendment—meets with our entire approval.

81. As regards its details, without prejudging the general question of the abolition of the registrar's office, or of its annexation to some specific department of the Government, we do not hesitate to say that so long as it is maintained, the analogy of type between the building society and the other bodies now in relation with the registrar is such that it would only be harmful to detach a single member from the group, and place it under a new officer.‡ We prefer, therefore, the footing on which the bill of 1870 proceeded, that

* By way of penalty for the excess, see 30 & 31 Vict. c. 117. s. 2.

† As a partial set off to their exemptions, it has been urged before us by several witnesses that "as the law now stands, if any duty at all is paid upon building societies mortgages, a higher stamp duty is paid than in other cases, viz. a duty calculated upon the amount to be repaid, and not upon the amount advanced, which is ordinarily the case." The terminating societies at Liverpool were instanced, in which security is taken for 120*l.*, "when perhaps a man only gets half the money;" one witness even adducing a case in which a man getting only about 160*l.* in cash would have to pay stamp duty on 600*l.* It appears, indeed, from Mr. Davis's book that the hardship in question only applies to terminating societies. We would, however, recommend that the law be amended on the point.

‡ It is considered, indeed, at the registrar's office that the registrar only certifies building societies as holding also the separate office of "barrister appointed to certify the rules of savings' banks." But it appears doubtful whether this is a true construction. Under the 9 & 10 Vict. c. 27, s. 10, the "barrister or advocate appointed to certify the rules of friendly societies" was to be "styled" the "Registrar of Friendly Societies" in England, Ireland, or Scotland, respectively. But there was, technically speaking, no such person as the former. The then existing Friendly Societies' Acts, 10 Geo. 4, c. 56, and 4 & 5 Wm. 4, c. 40, required the rules of friendly societies to be submitted in "England and Wales and Berwick-upon-Tweed" to "the barrister-at-law for the time being appointed to certify the rules of savings' banks;" in Scotland, to "the Lord Advocate or any deputy appointed by him for that purpose;" and in Ireland, to "such barrister as may be appointed by the Attorney General in Ireland." There was thus, in England, at all events, no other "barrister appointed to certify the rules of friendly societies" than "the barrister appointed to certify the rules of savings' banks," and the inference seems to be that such barrister was to be thenceforth, to all intents and purposes, registrar of friendly societies. And the fact that by a much later Act, the Savings' Banks Act of the 26 & 27 Vict. c. 87, the "barrister-at-law appointed by the Commissioners for the reduction of the National Debt" is again spoken of, would not destroy such inference, otherwise as the utmost than as regards the bodies specially referred to in the statute. The "Registrar of Friendly Societies" for England, indeed, is still and must be a "barrister-at-law appointed by the Commissioners for the Reduction of the National Debt."

qq. 4436, and following;
qq. 8246-7;
q. 5367.
qq. 6454-5,
6588, 6590.
Davis,
p. 125b.

of simply making the Registrar of Friendly Societies the certifying officer of building societies, to that of the new bill, s. 37, allowing in effect the creation of a separate registrar of building societies; but the provision of the existing law as to the registration fee should be re-enacted.

82. We approve both of the establishment of a real system of central registration of building societies, and of steps being taken, as the bill proposes, for extending the registrar's functions beyond the mere certifying of rules, alterations, and appointments of trustees, which appear to be his only functions towards building societies at present. qq. 322-33.

83. Under the incorporated provision of the repealed Friendly Societies' Act, 4 & 5 Will. 4. c. 40, s. 4, which is still the law of building societies, the registrar has to ascertain whether the rules or any alterations or amendments of rules offered for his certification "are calculated to carry into effect the intention of the parties framing such rules, alterations, or amendments, and are in conformity to law and to the provisions of" the Acts, and is to "advise" with the clerk or secretary of the society "if required." Our attention has been drawn to the question whether the duty of the registrar in dealing with building societies should not be confined to the certification that certain specified provisions are contained in the rules; so that although these might otherwise "contain provisions not in conformity with law or with good policy," he would be compelled "to accept them and to register them." Registration would thus "simply place the rules in a public deposit, where they would be accessible, but all questions relating to the validity of the rules would be left to be determined by the court." q. 3021. q. 3249. q. 3250.

84. The principle of open registration, which, it may be observed, is that of the joint stock company system, was strongly contended for before us by the representatives of the London Building Societies Protection Association. The certificate at present, no doubt, although purporting to show that the rules are "in conformity with law," is no conclusive proof of their legality; the impression which it produces to that effect is illusory. It was maintained that by making the registration an open one, the past mischiefs of arbitrary and often contradictory practice by the registrar would no longer recur. Everything essential being supposed to be provided for by the provisions which are made obligatory, the more the onus is thrown upon the members of showing that the rules are legal, "the more (it was urged) they will look after their own interests." *The argument for open registration. See evidence of Messrs. Higham, Warner, Hoare, and Baynes.* q. 3379. q. 4738. q. 3036.

85. But the adhesion to this view was at most a very qualified one on the part of the other witnesses examined. Mr. Strachan, the able Newcastle actuary, and Mr. Ingle, the solicitor to the London "Planet," consider that mere registration would be preferable to the present certificate. But Mr. Strachan expressly said, that "if the barrister's certificate could be made to bear the authority of law . . . it would do away with many lawsuits," and he considered that the registrar's office would be "a very valuable one," if the certificate carried with it "the impress of authority" that the rules were good "in law." Mr. Edward Ravenscroft, of Edinburgh, managing director of the (Scottish) Standard Investment and Building Society, who, whilst approving of the bill, thinks Mr. Lowe's suggestion "far better, namely, that the mere fact of the registration, without certifying anything, would be the preferable one," is found elsewhere saying, "that the registrar's powers should either be made effective by his certificate being observed in the same way as an Act of Parliament, or that he should simply record that the rules are registered," or asking that the registrar's powers should "be enlarged, so that he might be employed as a judge in all matters referred to him." Mr. W. T. Ross, of the "Scottish Savings Investment and Building Society" of Glasgow, would be willing to see the registry abolished, "unless it could be made authoritative and official, so as to give the rules effect in a court of law." Mr. Ingle went further still, and wished for "an arbitrary set of rules;" and, with a competent registrar, he did not think there would be either danger or practical inconvenience in making the certified rules absolute law. Other witnesses were strongly in favour of making registration conclusive of legality, as Mr. Brabrook, Mr. Peacock, Mr. Middleton; although Mr. Middleton would prefer the certificate to bear that the rules are "not contrary to law and to the provisions of the Act." *But a certificate conclusive of legality would be generally preferred.* qq. 4734-8. qq. 7172-4. q. 4738, and see qq. 4772-3, 4777-9. q. 9131. q. 9117. qq. 9133-5. q. 13,000. qq. 7174-9. qq. 7252-4. q. 8450. qq. 3343-50, 4378, 4415, 5161-2, 5385-6. q. 5162.

86. The bill (s. 13) requires the registrar before granting a certificate of incorporation to see that the rules "contain the provisions required by the Act, and are otherwise in conformity with law," and by s. 17, the rules are only made binding to the like extent. *The certificate under the bill.*

87. This hardly seems to us sufficient. If the registrar is a person of adequate legal ability and experience, if due publicity is secured for his proceedings, and if an appeal be given from his decisions, which would enable him to fortify himself in cases of doubt by the opinion of a superior court, we see no practical danger, while there is certainly much convenience, in making his certificate, or the certificate of the court on appeal, conclusive as to the legality of certified rules. The certificate should however, we think, *Certificate should be conclusive of legality.*

be to the effect not only that the rules are in conformity with law, and contain the provisions required by the Act, but also that they are within its purview.

Registrar should have discretion.

88. We think, moreover, that the registrar should be allowed a discretion as to certifying, beyond his mere determination that the rules are in conformity with law, but such discretion should be confined to disallowing provisions which appear to him "inequitable or impracticable." He should be required to report from time to time any variations which he may see fit to make in his practice.

e.g. as to fines.

qq. 3480-1.

qq. 4559-60, 4564-5.

89. The case of fines affords an instance in which, such discretion might be usefully exercised. These, although low in specific amount, are very large in proportion to the amount of the defaults for which they are inflicted, and when cumulative rise often to an enormous ratio. A rate of 60 per cent. per annum has been held judicially not unreasonable, but in some Welsh terminating societies, honestly conducted and established on really benevolent principles, we have found them to rise to 480 per cent. for investors, and nearly double that amount for borrowers, the fact being that the societies themselves are probably often not aware of the exorbitant nature of the penalties they inflict. Other illustrations may be supplied from the restrictions sometimes imposed on redemptions or withdrawals.

Local publicity for the rules should be required before they can be certified.

90. The important changes which we recommend in the functions of the registrar should, however, be accompanied with special safeguards. One of the most obvious of these is publicity. It must not be overlooked that this was sought, however ineffectually, to be secured by the law now in force, through the provision requiring the registrar to transmit one of the three transcripts of rules forwarded to him to the clerk of the peace for the county to which the society is formed, to be by him laid before the justices in quarter sessions, and filed with the rolls of the peace. This is omitted altogether from the bill, which only requires two copies of the rules to be sent to the registrar, one to be kept by him, and the other returned to the society. We think, on the contrary, that before he can grant his certificate, either of any original or other rules, such rules should be deposited for a certain period with some local authority, notice being given of the fact in some newspaper or newspapers in general circulation in the locality, and that during the period of deposit it should be competent for all parties to lodge objections, in writing only, with the registrar, against the grant of the certificate.

Appeal from Registrar's decisions; the certificate to be provisional meanwhile.

91. Again, we think that an appeal, similar to that from the decision of a county court judge, should lie for a certain number of months from the registrar's decisions, whether in granting or refusing a certificate, to one of the superior courts. Until the time limited for such appeal has elapsed, or in case of an appeal, until confirmation by the court, his certificate of incorporation should be provisional only, and the society should, if carrying on business in the meanwhile be required to do so with the addition to its title of the words "provisionally registered." While in the event of the rescission of a rule, or of any new or altered rule being certified by him, such rescission or alteration should not take effect at all until confirmation of the certificate or the lapse of the prescribed period.

Model rules recommended.

92. For the lightening of the registrar's duties and responsibilities, we would also recommend that model rules should be appended to the bill in the same way as forms of the memorandum and articles of association are appended to the Companies Act; the adoption of such model rules to be, however, as in the case referred to, optional only. Three forms at least would probably be required, for permanent societies, terminating societies, and Starr-Bowkett societies, upon which minor differences might be indicated for slightly different sub-types, as ballot and sale societies.*

Also model scales and tables.

q. 15, 133. See evidence of Mr. Parker and Mr. Friedlein, *passim*, and q. 1515.

The certificate should incorporate the society. q. 3077.

93. In addition to forms of rules, we think the schedule to the bill might also with advantage contain a few of the more usual scales for the repayment of advances by instalments, showing in each case the actual rate of interest paid, as well as tables for calculating the redemption value of instalments and their value as assets, according to the useful suggestion of an Irish witness. The question of tables, it must be observed, is not one of so much importance for a building as for a friendly society, but it is clear that those of building societies are often incorrect and unfair to borrowers, and that there is often very great ignorance of the principles of calculation on the part of their founders and managers.

94. After much consideration, we further think that the effect of the registrar's certificate should be to incorporate the building society, so as to do away with the present system of trusteeship. This was not provided for by the bill as first presented to us, which retained the trustees, but was recommended by Sir Roundell Palmer, whose name was on the back of the bill, and was desired by several at least of its original promoters,

* To facilitate the adoption of such model forms, they should either be supplied gratis or at a trifling charge, to be allowed on registration if they are adopted with a certain maximum of allowed alteration.

as Mr. Higham, Mr. Hoare, Mr. Warner, and by several other witnesses, such as Mr. Selway, Mr. Brown, Messrs. Binns and Lund, and Mr. Ingoldby, as well as by Mr. Dix, of the "Irish Civil Service," one or two witnesses being comparatively indifferent to it; and we find in the new bill that the principle of incorporation is adopted. It had been argued, indeed, against it with considerable weight by Mr. Brabrook, that the existence of trustees is "to a certain extent a check upon dealings with the property of the society, which it is expedient to maintain;" that a well-advised trustee, when asked to sign a document, will very likely "consult his solicitor to know whether it is "a document which he ought to sign." But it is obvious that whatever force such considerations may have in the infancy of a society, when transactions are so few that there is time for a trustee to consult his solicitor before every signature he gives (though indeed such a process would be beyond the reach of many trustees of building societies,) it is no longer so when transactions multiply. In such cases the time may come when the trustee, if retained, will give his signature in reliance upon the manager, directors, or committee of management, lest the whole business of the society should be obstructed; and then, as it seems to us, it becomes important that the responsibility should be laid on the right shoulders, by being shifted from the trustees, who will have become little better than signing machines, to the actual executive of the society. Considering, moreover, that industrial and provident societies have already obtained incorporation, and that the advantages of the corporate character are more peculiarly valuable in dealing with real property, which is the special business of building societies, we cannot help feeling that it would be henceforth unfair to withhold this character from them.

95. We come now to the most difficult and important question connected with the building society, that of the power to borrow.

96. The power to borrow no doubt is not mentioned in the Building Societies Act, and it is considered by Mr. Brabrook that it was not contemplated by that Act. It is possible for building societies to exist without borrowing, since this is the very principle of the whole group of gratuitous loan building societies, and our investigations have shown that there are other bodies which adhere substantially to the practice. It is indeed asserted by one witness that up to 1851 there had been, in the North of England apparently, "no borrowing of money by societies." He, however, admits that there might be "a slight overdraft" on bankers, "without security," and as "a matter of favour." On the other hand, a Manchester witness of considerable experience in terminating societies, states that a society with which his father was connected in 1836 borrowed, and that none have been worked since 1845 without a regular borrowing system. And Mr. Higham, whose personal experience goes back to 1843, in speaking of the early days of that experience, not only states that "almost all societies received loans," but produced before the Commission some "Instructions for the Establishment of Benefit "Building Societies," published by the Lords of the Treasury for gratuitous distribution in 1838, which contain a model rule expressly headed, "Trustees may borrow money," and authorizing them "when there shall not be any moneys lying in the hands of the bankers to the credit of the society," by direction of the committee, "to apply for and obtain from the bankers" the sums necessary to provide for the required advances. It thus appears clear that the habit of borrowing, though at first it would seem only on the personal security of the trustees, has been practically co-eval with the legal establishment of building societies; and it is obvious that (except under the peculiar conditions of the gratuitous loan societies) the power to do so is practically requisite for their development. The evidence of Mr. Brown, of Bristol, is very instructive as to the slow progress which a building society makes that refrains from borrowing, and of the really mischievous effect which such abstinence may produce, by driving persons who require advances into the hands of less scrupulous lenders. "There were societies," Mr. Brown says, "lending at 6½ and 7 per cent., and they lent out ten times what we did at 5 per cent." Mr. Strachan, too, shows how the freedom of borrowing tends to obviate perhaps the greatest evil of the early terminating societies, the sale of shares at a premium, for which needy members will often pay an extravagant sum. The more general argument, however, is, that borrowing powers "enable the directors to equalize business;" that it is impossible in any one neighbourhood to keep the balance so true "between investing and lending as that the society can do without the power to borrow."

97. It is true that the Treasury Instructions above referred to only contemplate temporary advances from bankers, and that this, as before observed, was the usual practice

* See also the evidence in favour of borrowing powers of the representative of a Scotch society, which has only a most limited power, and has used that power most sparingly, qq. 12896-8 (Mr. George Walker, of the "Caledonian Permanent" of Glasgow).

qq. 3077, 3578, and following; 4117, 6787-90, 7115-21, 7197, 15,164, q. 3257.

q. 3261.

The question of borrowing powers.

Not essential to the existence of building societies.

qq. 3277, 3349.

qq. 8162-3.

qq. 8164-5.

But co-eval with their legal existence.

q. 5863.

q. 2857.

qq. 2858-63.

Regulated by Treasury instructions of 1838.

Practically requisite for their development.

qq. 4054-60.

q. 4658.

q. 4647, and

see 4642.

q. 3151.

q. 4015.

qq. 15,148

and following.

Loans were originally from bankers

and temporary.

q. 2863. in the early days of building societies. The loans, Mr. Higham says, "were usually obtained for short periods, and renewed from time to time until it was convenient to repay them; because if a terminating society is prosperous, in the course of time the subscriptions will accumulate, and the directors may have more money than they have applications for, and then it becomes desirable to repay the loans." And this, it is considered by some, is the right course for building societies to pursue, and one to which they ought to be recalled. The growth of the permanent societies, on the other hand, as shown already, has brought with it the establishment of the deposit system and that of paid-up shares, the latter indeed at present checked by the registrar's office on the authority of an opinion of Sir Roundell Palmer's. We have to deal with societies habitually indebted to the extent sometimes of hundreds of thousands of pounds, and to thousands of depositors,—the "Birkbeck," for instance, owing over 800,000*l.* to nearly 14,000 depositors.

Growth of the deposit and paid-up share systems.

qq. 8021, 8025.

Evidence for and against deposits.

qq. 3309, 3346.

q. 15,041.

q. 7492.

q. 7885.

qq. 4011-6.

qq. 4506-9.

qq. 6518-70,

6548-54.

q. 8077.

q. 8078.

q. 7714, and

see p. 224.

The question of a run upon deposits.

q. 7880.

The taking of deposits not a privilege.

25 & 26

Vict. c. 87,

s. 24.

26 & 27 Vict.

c. 87, s. 16.

3 & 4 Vict.

c. 110, s. 3.

98. Mr. Brabrook is of opinion that the deposit system ought not to be encouraged. Mr. Littledale "would not put any building society under the registrar, who received money on deposit." On the other hand, a witness who has severely criticised many features of the building society movement, with which he is not at present connected, Mr. J. W. Williams, embracing both the forms of borrowing above referred to in one sentence, says, "I highly approve of the system of small shares and paid-up shares, getting large sums from depositors instead of borrowing large sums on loan." Mr. Allott, a very intelligent witness from Sheffield, who has been a banker himself for 14 years, and is therefore able to look at the question from both sides, defends the system fully. And as a rule, it may be said that not only is the system approved of by all the officers of building societies who have experience of it, but that its introduction is desired by almost all who have not, as Mr. Winterbotham of Stroud, the Rev. Mr. Thomas of Swansea, and Mr. Hosking of Liverpool. Mr. Ravenscroft, of the "Birkbeck," who seems to have introduced it, considers it to have met the difficulty which members used to have in withdrawing their money; and although it thus originated with permanent societies, which, according to Mr. Ravenscroft, "cannot work without it," it has now extended to the terminating ones, of which the same witness says that they can do so; Mr. Allott's statistics for Sheffield showing that in that town no less than 351,932*l.* is held on deposit by 28 terminating societies.

99. The dangers of a system in which, as was objected in examination to Mr. Allott, money is borrowed at an outside limit of notice of three months, and invested for terms of from 5 to 10 years, often for double the latter term, are obvious. There may no doubt be a run on the deposits, which the borrower would have difficulty in meeting. But "runs" seldom last, and the fact of there being any notice requirable for withdrawal mitigates enormously the danger of them. A bank would be considered very rotten which, if it had a month to pay off its creditors, could not weather a "run." Moreover, the value of freehold and leasehold security is so much less fluctuating than that of commercial paper, or that of a very large proportion of the securities on which banking funds are directly or indirectly invested, that even during a panic month a building society should have much better means of obtaining help than an ordinary bank. Although, therefore, the risks of a run upon building society deposits are real, they appear to be not greater but less than those of a run upon an ordinary bank.

100. Is there, then, any reason why the right of taking deposits should be withheld from building societies? It is no legal privilege any more than the right to borrow generally. Any costermonger in the street may take deposits if he can get them. Any seven costermongers may, upon scraping together 2*l.*, establish a limited company with a nominal capital of 2,000*l.* and not a penny in hand, and on condition of making certain returns may take deposits in like manner. As a matter of fact, a large number of companies, not professing to be banks, are understood to do so. Industrial and provident societies do the same, and their Act of 1862 expressly uses the words "any depositor in any such society." The Savings Banks Act, apart from the ordinary system of privileged deposits, declares that nothing in the Act shall extend to prevent the trustees of a savings bank from receiving money "from any depositor" for any other purpose and that it shall be lawful for them to apply such money in any other manner "for the benefit of the several depositors." Loan societies are expressly authorised, "if they think fit," to issue unstamped debentures for monies "deposited, or to be deposited." All these classes of bodies then are able, if they choose, on the one hand to take deposits to any amount on no security at all, on the other to do so on precisely the same security, and in precisely the same manner as building societies do now, and two classes out of the three have equivalent exemptions.

101. We do not, then, see that the power of contracting loans by deposit can fairly be withheld. The judgment of the Lord Chancellor and the late Lord Justice Giffard, in *Laing v. Reed*, that the contracting of loans is a mere method of conducting the business of the society, appears to us, notwithstanding the doubt which has been cast upon it, to be a perfectly sound one; and *à fortiori*, as it seems to us, must the mode of contracting such loans be a mere incident to that method.

The deposit system a mere incident to the borrowing power.

Davis, pp. 238-43.

102. The question next arises, Should the borrowing power be limited or unlimited?

103. Mr. Gourley's bill of 1870 proposed to leave it unlimited altogether, authorizing any society under the Act to "receive deposits or loans at interest from the members or other persons, or from corporate bodies, joint stock companies, or Her Majesty's Loan Commissioners, to be applied to the purposes of the society" (s. 9); and several witnesses argued with great force in this sense. "We find in the practical working of the society," says Mr. Warner, of the "Sun Permanent" (of London), "that it does not require a limit. We only borrow that money which we can legitimately use. . . . By putting a limit on the borrowing powers you would tend to create in the minds of the shareholders an impression that they were protected by law instead of being protected by their own judgment." The difficulties of fixing any satisfactory limit, again, were strongly put by Mr. Strachan and Mr. F. Ravenscroft. Unquestionably no limit was originally put to the borrowing. Of the societies which have been certified with borrowing powers, "till two or three years ago," says Mr. Higham, "very few have any limit."

The question of limitation. Arguments for an unlimited power.

q. 2960.

See also

qq. 8277-8;

qq. 4060-2;

qq. 6520-1.

q. 8140.

qq. 4649, 4656,

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q. 3144.

104. On the other hand, it was admitted that the Committee of the London Building Societies Protection Association were not agreed upon the point, nay, that "opinions were about equally balanced" upon it. Sir Roundell Palmer is against an unlimited power; Mr. Brabrook thought that "some limit is essential;" Mr. Higham thought it "desirable," and was followed by more than two to one of the other witnesses examined. It seemed thus clear that public opinion in the building society movement coincided with the spirit of the judgment in *Laing v. Reed*, in which the Lord Chancellor is reported to have said, "If the rule had authorized the trustees to raise an unlimited sum of money wholly regardless of the contributions which might be made by the members, that, no doubt, would be contrary to the intent and scope of the Act," and we observe that s. 10 of the new bill now laid before us provides that the total amount received "on deposit or loan and not repaid by any society shall not at any time exceed two thirds of the amount for the time being secured to the society by mortgage."

A great majority of the witnesses favourable to limitation.

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105. The question of the nature of the limit assumes much less importance since the principle of it has been conceded by the representatives of the building society interest themselves. It will be sufficient to say, that whilst a fair number of witnesses, including some weighty names, were in favour of a limit, based on the subscriptions of the members, the majority were in favour of limiting the borrowing powers on the advances made, according to the judgment in *Laing v. Reed*. A third limit, suggested by two witnesses, —both representing large societies, —was one upon the assets of the society, "because," says Mr. Allott, of Sheffield, "it might happen sometimes that a very large loan . . . might be suddenly paid off, and that money would lie in the bank, and it would be very difficult to have to reduce the deposits so as to bring the amount within two-thirds of the mortgages; but if the money is in the bank as an asset, it is just as secure, as far as the members and depositors are concerned, as if it was lent upon mortgage." And what was put as a hypothetical case by Mr. Allott appears to be the actual position of societies like the "Temperance" or the "Birkbeck," the former of which, at the date of the evidence taken, was stated to have 20,000*l.* in consols and 57,000*l.* at the bankers, and the latter no less than 280,000*l.* in various trustees' securities, "consols, new 3 per cents, India stock, and metropolitan 3½ consols." The same view, it should be added, was taken by a committee of managers and agents of Glasgow building societies, who would, however, limit the borrowing powers to "one half of the balance due to the society on mortgages or invested funds." (Mr. Culley's report, par. 46.)

Question of the nature and proportion of the limit.

Preponderant evidence for a limit on advances.

q. 7857.

q. 6132.

qq. 8033-4.

106. It is, however, a singular fact that, whilst the limit approved of by the Lord Chancellor and Lord Justice Giffard in *Laing v. Reed* has been in the majority of cases willingly acceded to, the grounds on which that judgment was founded do not appear to have been generally appreciated. No specific limit, it should be clearly understood, was fixed in that case. The rule of the society interested (the "Northern Counties Permanent" of Newcastle) fixed two thirds as a limit, and that limit was held valid. But the judgment did not hint that this must be considered as a maximum. In the view of the court, as before observed, borrowing is a mere method of carrying on business. If a building society dependent on subscriptions chooses to accelerate its operations by borrowing, it is at liberty to do so. It cannot indeed "raise an un-

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" limited sum of money wholly regardless of the contributions " of its members. Its loan are as it were a discounting of future receipts. The limit of the loan is therefore the amount of secured subscriptions. But inasmuch as, owing to the withdrawable nature of building society capital, the only secure subscriptions are those on advanced share the limit is closely connected with the mortgages outstanding. Strictly speaking however, it does not depend upon the amount advanced, but upon the amount to be repaid. Within that amount it is for the society to determine by its rules what shall be the precise limit.

Two thirds should leave a sufficient margin.

q. 2939.
qq. 5882;
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q. 2938;
q. 5705-6;
q. 5419
q. 6085

Analogy with the practice of discounters and bankers.

107. But looking at it from the point of view of a lender, the amount borrowed must be something short of the value of the securities held, and two thirds, in building society, should leave a margin sufficient for all contingencies, although a building society generally lends a larger proportion of the value than an ordinary mortgagee, because it gets its monthly repayments directly. We find thus such societies lending sometimes three-fourths of the value, four-fifths, and in exceptional cases according to Mr. Higham (q. 2938), six-sevenths, and according to Mr. Reay (q. 5417) and Mr. Priest, of Liverpool (q. 6430), and Mr. Andrew, of Ashton (q. 5491), nine-tenths

108. It is hardly necessary to observe that in borrowing upon the security of advances made, a building society is but following, on a limited scale, and in a particular manner, that which is daily practised by discounters and bankers. There is no difference in principle between a private banker owing money to his customers, to a very small proportion only on the security of cash in his till, but to some proportion on the security of fixed mortgages on land, to a further proportion on the security of certain debts, annual or otherwise, owing by very large creditors, such as governments and corporations, and to a very considerable extent on the mere personal security of the great discounters,—the cash itself being through them mainly advanced again on commercial paper,—and that of a building society borrowing on the security of the debts due to it, except that all these debts are supposed to be secured on mortgages instead of a part of them only, and that the mortgages themselves, instead of being for fixed sums, are being constantly repaid by instalments. When, indeed, we come to large institutions like the "Temperance" and the "Birkbeck," there the analogy is still closer, since we have seen that these have large investments other than their mortgages; and there is strong reason on their behalf to contend that such investment should be held, as well as mortgages, to be a valid security for loans. Of course there is no temptation to use such a basis in the ordinary course of things; but it is easy to see that in the case of a body like the "Temperance," which can obtain deposit at 3 per cent., consols themselves must yield a profit. As respects ordinary terminating societies, indeed, the limit of two-thirds of the value of advances appears to be too small at the commencement of their operations, and in this case a certain number of months' subscriptions* might be made an alternative limit. The gratuitous loan societies, on the other hand, ought clearly, as observed by Mr. Peacock, to be prohibited altogether from borrowing at interest.

q. 3139.

q. 4341.

The question of paid-up or preference shares.

q. 4630.

q. 3364.

The restriction on payments by anticipation irreconcilable with Laing v. Reed.

109. We cannot, however, fully consider the question of borrowing powers without taking into account the system of paid-up shares, when used as a mode of borrowing as it admittedly is in many cases, and habitually in the Newcastle societies. It arose Mr. Strachan says, at the time when the late registrar "declined to certify rules authorizing the borrowing of money." Now, on the contrary, on the ground of the expression in the first clause of the Benefit Building Societies Act, "such subscriptions not to exceed in the whole 20s. per month for each share," the registrar's office is "in the habit of striking out all clauses enabling a man to pay his subscriptions on his shares in advance, or to pay them all down in one sum, or to pay by any means more than 1l. per share per month," and under such a practice the raising of money by means of paid up shares becomes impossible.

110. That the present practice of the registrar's office, based as it is on the high authority of Sir Roundell Palmer, carries out *prima facie* the stricter literal rendering of the Act, may be conceded. With all deference, however, to so high an authority, it may be doubted whether it is equally consistent with the spirit of the judgment in *Laing v. Reed*, or indeed with that of other cases to be presently referred to. If borrowing in anticipation of future subscriptions be a lawful method of carrying on business for a building society, surely it must be equally lawful for it to receive future subscriptions directly by way of

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anticipation. To make it illegal for a man to pay more than 1*l.* monthly subscription or a 150*l.* share at once, but to allow him to pay the 1*l.* subscription and lend 149*l.* to the society is one of those circuities which equity professes to "hate." But, indeed, the validity of a rule allowing the payment of six months' subscriptions in advance has been admitted by Lord Hatherley in *Matterson v. Elderfield*, and the validity of a rule for allowing redemption at any time on payment of subscriptions to the estimated period of a society's termination, in a whole series of older cases as to terminating societies, such as *Fleming v. Self* and others, the principle of which, though the cases were those of borrowing members, seems equally applicable to investors.

Davis,
pp. 156, 164,
and following.

111. Apart from any question of inconsistency it is difficult to see what useful results the restriction accomplishes, and impossible not to see how it hampers societies. The slightest reflection will show that there are large classes of persons practically belonging to or but little removed from the working class, whose earnings are paid at longer intervals than a month, and for whom consequently it is of the greatest convenience to be able to pay larger subscriptions at such longer intervals. Mr. Higham quotes the case of "gentlemen's servants and other persons receiving their salaries quarterly," and says, "If we are not to take more than 20*s.* per share per month, we are practically shut up from transacting our business." Indeed, there are mining districts in which the "pays" take place only once in six weeks, or even two months. It must be observed, on the other hand, that since no limit is at present enforceable to the number of shares held by any one person, whilst the poor maid servant who receives her wages quarterly would be compelled by this practice to make three successive journeys, or pay for three registered letters, to take or send 3*l.* which she has to spare to the office of her building society, there is nothing to prevent her master from paying down 100*l.* every month as contributions for 100 separate shares.*

Objections to
the restriction.

q. 3066.
q. 3060.

112. It is clear, then, that the restricting of the subscriptions in building societies to monthly payments inflicts serious hardship upon the members, and that the receipt of subscriptions in advance is necessary to the fair working of societies. But is it possible to distinguish between these *bond fide* payments in advance, whether in one sum and in several, and disguised loans? Probably not. But, indeed, the fact is that, owing to the withdrawable character of the share, all subscriptions to building societies partake largely of the nature of loans. The question, therefore, is, whether, if the power of borrowing be conceded, a particular form of loan by which, as in the Newcastle "preference shares, the lender consents to take up a position intermediate between that of the ordinary member and that of the ordinary creditor, ranking before the former but after the latter; should "be prohibited?" We see no reason why it should. It is clear that the position of the ordinary creditor is improved whenever what would be a loan takes the shape of preference capital. The ordinary member is in nowise damnified thereby, and as the paid-up share, when issued by way of loan, bears generally a fixed rate of interest, he enjoys the benefit of any surplus profit which may be made by the use of the money so obtained.

Paid-up
shares as a
form of loan
not objection-
able.

qq. 4630 and
following.

113. But if the general borrowing powers of building societies are to be limited, will not any limit be rendered nugatory if the issue of paid-up shares with preferential or fixed rights without limit be conceded? Mr. Winterbotham, of Stroud, thinks "that paid-up shares in themselves should be to a certain extent limited." The *prima facie* objection to this course is the extreme difficulty, if not impossibility, of distinguishing for practical purposes between payments in advance in the ordinary way and such payments made by way of loan. But there seems to be a deeper one. The paid-up share, after all, though it may be a loan in intention, and though it may closely assimilate to a loan in some of its incidents, is not one legally so long as the broad feature exists, connecting it with other shares, of the capital representing it being liable on a winding up to the claims of the general creditor. Hence, although the ordinary methods of borrowing by a building society, and the issuing of paid-up shares to obtain capital, may fulfil the same end, yet we have the clearest evidence both from Birmingham and from Liverpool that they are not equivalent in effect. In the flourishing "Queen's" society at Birmingham, where every depositor is made a shareholder, "many of them," says Mr. Taylor, "do not like it; they think there is a liability in becoming a shareholder." Hence he presses for

The question
of limiting
the issue of
paid-up
shares.
q. 4092; and
see qq. 4090,
4101.

qq. 3886-8.
Evidence
of Messrs.
Jones and
Reay, Hos-
king, and
Priest,
passim.

* Another serious mischief arising out of the restriction, which did not come before us in evidence, but which has been brought by letter to the notice of one of our number, has reference to the redemption of building society mortgages. The older practice in reference to such mortgages, and perhaps the one most naturally arising out of the wording of the Act, was to make the share the security, so that the mortgage was made to secure the payment of subscriptions and not of money advances. Hence a doubt whether the mortgage can be discharged in any other way than by monthly subscriptions. See, however, the cases of *Farmer v. Smith* and *Handley v. Farmer*, as quoted in Davis, which seem clearly to admit the legality of a rule allowing a borrower to anticipate subscriptions, and thus to run counter to Sir R. Palmer's opinion.

legal borrowing powers; and from Liverpool, where preference shares are largely issued, all the four witnesses examined, although representing in some respects opposite schools, make the same demand.

Certain special limitations considered.

Limit to amount of individual advances.
qq. 15,042-4, 7577-8, 6857, and following. 3 & 4 Vict. c. 110. s. 13.

Limit of area of society's operations.
qq. 5315-8, 6847, 5991, 6262-3, 5535, 6763.

Exclusion of certain securities, as mills and works.
qq. 7570-6, 7604.

Exclusion of speculative builders from advances.

q. 2999;
q. 4301;
q. 6541;
q. 8160.
q. 6203.

q. 6541.
q. 13,894.

q. 2907.

q. 6458.

q. 6459.

q. 6037.

q. 6038.

qq. 6095-6.

114. Before dismissing the subject of limitation, we may, perhaps, briefly advert to a few special forms of limitation which may be suggested, and which have been more or less discussed before us in evidence.

115. We are by no means insensible to the objections urged against large individual advances. It would, no doubt, be possible, by a provision similar to that of the Loan Societies' Act, to enact that it should not be lawful for a building society to lend to any person at the same time a greater sum than £, and that no second or other loan should be made to the same person until the former loan had been repaid. But the stamp duty on the larger advances will always militate against them, to say nothing of their very largeness itself. Nor do we see why the comparatively poor should be restricted from lending to the comparatively rich if they deem it their interest to do so.

116. Another limit which may be suggested is a geographical one restricting the area of the society's operations. We think the general result of the evidence is that which would be suggested by reflection, viz., that advances made at a distance from headquarters are less safe than those made in the neighbourhood, and hence, with the exception of the land societies, the area of advances is habitually a limited one. This fact, and the difficulty of fixing a limit equally applicable to all, since a large society, with branches or local agents, or simply with a considerable command of capital, can obviously lend with safety at a greater distance than a small one without the same advantages, seem to us to show that any such restriction would be both unadvisable and superfluous.

121. Again, one witness has strongly urged the restraining of building societies by law from lending upon certain specified kinds of security, as for instance, mills, factories, warehouses, and workshops. No doubt advances made on such property are, in a commercial point of view, less secure than if made on good house property. But we should doubt the policy of forbidding them. When the working men or clerks in a factory trust their savings to their employers, the act is always considered as one creditable to both classes. We do not see why a different view should be taken of a loan of a thousand, or of several thousands of pounds, made collectively by a large number of persons of the working or middle class to an employer or landowner. Such advances promote the employment of the very class for which building societies are originally designed; they certainly tend to prevent strikes and lock-outs. We think the working classes must be considered the best judges of their own interests in such matters.

118. Similar objections would apply, we conceive, to any attempt to exclude speculative builders from obtaining advances from building societies. No doubt speculative builders are often amongst the worst customers, and amongst the greatest sources of danger to a building society. If it is driven to take possession of or sell mortgaged property, it is generally by their proceedings.* They are in like manner the class which is most subject to fines for minor defaults. "There is no question," says the secretary of the second largest society in the kingdom, "that the bulk of the members who buy for their own occupation do not pay very much of that item of fines." In short, "we are very unwilling to have to do with them at all," says a leading witness from Liverpool. "It is the worst class of loan which a building society can get," says another at Belfast. On the other hand, the line of demarcation between a speculative and a non-speculative builder, or between a speculative builder and a building speculator, seems impossible to be traced, and any exclusion of builders as a class would, we conceive, be most objectionable, since the indirect operation of the building society, through them, in providing the working classes with dwelling houses, is perhaps as great as its direct one. In or near London, as Mr. Higham observes, "It is almost impossible for a working man to find a place that will suit him on which to build a house." At Liverpool, again, Mr. Hosking says, "It is almost impossible to buy a single house; . . . our members never, or at all events very rarely, build for themselves." Such a thing as arranging with a builder to build a house at a certain price, he declares, "is utterly unknown in Liverpool." In Manchester, on the other hand, says Mr. Woodhouse, "the majority of our artisans buy the property; they do not build it;" stating further, that houses are built specially with the view of their being purchased by members of building societies. So Mr. Phillips thinks that whilst the working class, "except for building

* The word "foreclosure," as applied to building societies, is a misnomer generally, as the borrower member is entitled to any surplus value against the trustees. See evidence of Mr. Phillips, qq. 6179-80, and of Mr. Higham, q. 2996.

societies, would never get a house at all," yet, so far as his society is concerned, they mainly get houses through builders. Hence it seems impossible, without greatly crippling the efficiency of societies, to impose upon them any legal restriction in this respect. It must lie with them to show their good sense in the selection of officers who will not involve them in ruinous building speculations.

119. Again, strong objection has been taken before us to the practice of advances from one building society to another, on a deposit of their deeds, on the ground that it involves a breach of trust, and all depositing of deeds by building societies, it has been suggested, should be prohibited⁽¹⁾. On the other hand, it is clear that in the case of terminating societies, loans from one society to another, especially where both are practically in the same management, are frequently, Mr. Brabrook says, "constantly" made⁽²⁾; and where the conditions exist which have been described by many witnesses as normal in terminating societies, of a society approaching its termination with a plethora of money, and of another young society in the same management seeking to advance as much money as possible in its early days, such advances appear to be, in fact, the very best mode of investment for the surplus funds of the former society that can be desired, tending to realize for a series of terminating societies one of the most prominent advantages of a permanent one. But even in the case of the deposit of deeds with other than kindred societies, as for instance with bankers, there seems no reason why building societies should be prohibited from doing that which ordinary mortgagees can always do; since nothing is of more frequent occurrence, when a mortgage has to be paid off or otherwise dealt with, than to find the deeds deposited with the mortgagee's bankers by way of security, and indeed every conveyancer's precedent book contains a form of a "mortgage of a mortgage." We do not, therefore, see any reason why loans to other building societies, or borrowing on deposit of deeds generally, should be interdicted to a building society.

120. On the whole, then, whilst we think it will be advisable to limit the loans of building societies to a specific proportion (say two thirds) of the value of their outstanding mortgages (with the exceptions above indicated as to terminating societies), we do not see the advantage of limiting the monthly payments on shares, or the issue of preference capital. We think also that all attempts to make the share the subject on which the advance is made should be given up. The practice only leads to mischief; it is, as shown before, habitually a fiction, and so long as the society has power to invest surplus funds on real security, it may be put aside altogether, as in the cases cited of the "National Freehold Land" and the Scotch "Standard," which make all their advances to strangers.

121. We think, however, that in order to fix the attention of members on this important question, the points which the rules of a building society should set forth (see s. 12 of the proposed bill) should include the determination of the extent, if any, to which, and the mode or modes in which the borrowing powers may be exercised, or in the case of a gratuitous loan society, an express prohibition to do so. It would thus be open to any society to adopt, if it thought fit, a limit upon subscriptions received, or any other mode of limitation, so long as it did not exceed the statutory limit or limits. And we think in like manner that the rules should specify whether and to what extent and subject to what conditions shares may be taken which shall entitle the holder to any fixed or preferential interest, or to any other advantage, preference, or priority over other holders of shares. The whole result of such provisions will be, we think, decidedly to restrict the latitude of action now open to building societies under various legal decisions.

122. In connexion with the subject of borrowing, it will be convenient to refer to another question which would otherwise arise in respect of sect. 21 of the bill, as to the investment of surplus funds, and upon which much divergence of opinion has also been exhibited before us, viz., the question of the investment of building societies' funds in land. We have seen that, according to the decisions now in force, a building society may invest surplus funds in land, but may not buy land for speculative purposes. The distinction is a subtle one, and all the more so that persons connected with building societies do not agree in any common definition of "surplus funds," Mr. Higham, for instance, viewing the term as including "all unemployed money," whether derived from loans or from any other source, whilst Mr. Brabrook and Mr. Winterbotham view loan money as distinctly excluded from it. "I understand surplus funds," says the latter, with legal precision, "to be assets beyond liabilities." Mr. Gourley's bill itself, though scarcely definite enough on the point, seems to forbid investments in land. The investment clause (s. 21), "allows the investing of any portion of the surplus funds of the society upon real or leasehold securities, or in the public funds, or in or upon any parliamentary stock or securities, or in or upon any stock or securities, payment of the interest on which is guaranteed by authority of Parliament, or upon any other

Forbiddance of advances to other building societies, and of deposits of deeds.

(1) qq. 6307-9; 8621-2; 4685 7565-7; and see 3325.

(2) qq. 3339 and foll.; 3139; 4537-9; 6265-9; 6610-5; 7740-2.

qq. 5148; 5862; 7566-7.

Conclusions as to the borrowing power.

Rules should specify conditions for exercise of borrowing powers, and for issue of preference capital.

The question of investment in land.

Davis, pp. 208, 267.

qq. 3180-2.

qq. 3285-6, 4035-7.

"security, not being personal security, expressly authorized by the rules of the society." It might, perhaps, be contended, (although the technical rule of statutory construction known as the *ejusdem generis* rule is to the contrary) that the words "any other security, not being personal security, expressly authorized by the rules of the society," would include investments in land, as now authorized by judicial decisions. But the 31st clause, borrowed from the Friendly Societies Act, and expressly authorizing the purchase of a building or of land for erecting a building wherein to conduct the business of the society, must be held to overrule any such contention, on the ground that *expressio unius est exclusio alterius*.

Evidence for and against the practice.

q. 3446.
qq. 3843-9.
qq. 4757-8;
qq. 4908-10;
qq. 5154-6.
qq. 5725-41,
5803, 5822.
q. 4308, and
see 4306-20.
q. 6145.
Mr. Culley's
report,
paras. 25-8.

34 & 35 Vict.
c. 80.

q. 6350.

Provision of the bill approved of.

Other points to be provided for by rules.

Auditing of accounts.

qq. 7540 and
following, 7592
and following;
7614; 7673;
12,661-5; 4525;
4788-9; 4822-8;
4917-18;
5760-70;
6199; 7507
and following.

Registrar might audit on request;

Report,
pp. 4, 5.

123. The proposed bill, then, is one restrictive of the present law as to landed investments, and the expediency of disallowing such investments is maintained by several witnesses of great authority, as Mr. Brabrook, Mr. Taylor, whose opinion is all the more remarkable as being that of the originator of land societies; Mr. Strachan, Mr. Parker, and Mr. Dawson. On the other hand, Mr. Austin Lee, the representative of an important and interesting building society in Burnley, is strongly in favour of the power both to buy land and to build cottages; Mr. Peacock, a solicitor of large experience in London building societies, declares that "land will be purchased by these societies, and it is much better that it should be done under the protection of an Act of Parliament than without." Mr. Phillips, of the Temperance, speaking with some experience, does not see why they should be limited, and one or two other witnesses express similar views. In Scotland, as already observed, societies have been allowed to be formed under the Building Societies Act, for the express purpose, which we cannot consider to be a legal one under that Act, of buying land and building houses for their members. It must be remembered, not only that building companies under the Companies Act have unlimited powers of holding land, but that by an Act of last session similar powers are expressly given to industrial and provident societies,* thereby only legalizing a practice already, it is understood, largely carried out in the manufacturing districts, and one instance of which, in Oldham, was brought to our notice in evidence, as being that of the introduction of a much better and more convenient class of house.

124. On the whole, supposing that, as we shall presently suggest, facilities are given for allowing the transformation of building societies into companies on the one hand, or into industrial and provident societies on the other, we see no reason for objecting to the provisions of the bill on this head.

125. With reference to the other points specified by the bill (s. 12) as requiring to be provided for by rule (name of society and place of meeting; purposes and investment of funds; alteration and revision of rules, and new rules; appointment and removal of officers, and calling of meetings of members; appointment of auditors and time of audit; mode of settling disputes; powers and duties of officers; fines and forfeitures, and under the new bill, provision for the custody, &c., of the seal), only a few seem to call for special remark.

126. One (No. 5) is that relating to the auditing of accounts. The desirableness of a public audit has been urged by two or three witnesses, but the balance of opinion is apparently against the plan. On the other hand, a considerable number, including some weighty names, urge or assent to the proposal that forms of accounts or of balance sheet should be fixed, and Mr. Williams has supplied some valuable models for the purpose. Such model forms (which should be at least three in number, for permanent societies, ordinary terminating societies, and gratuitous loan societies,) should, we think, be annexed to the Act. They should, of course, be carefully framed, so as to provide against mistakes in book-keeping, e.g. the treating of premiums as income for the year in which they are taken, instead of spreading them over the whole term of the advance. The use of such forms should be made compulsory, except that to provide for variations in the constitution of societies,† and the development of new types, we would allow the registrar to prepare additional forms which, after having been submitted to the Secretary of State, and laid for a given time before both Houses of Parliament, might have the same validity as if contained in the schedule. We are disposed, moreover, to adopt the suggestion of our Assistant Commissioner for Ireland, Mr. Daniell, that the societies should be required to produce their mortgages to the auditor, although we conceive that without any enactment, it is part of his duty to call for them. We think, however, the Act might go further than this; that a society might be authorised to apply to the

* See Mr. Scratchley's "Guide to the Formation of Co-operative Building and Land Societies, under the new Act of Parliament, 1871, with model rules, &c." (Laytons, 1871).

† Mr. E. Ravenscroft, of the "Edinburgh Standard," we are bound to say, thinks "there are so many ways of keeping accounts by the different building societies" that to enact forms "would be almost impossible" (q. 9136).

registrar to have its accounts audited, and that the registrar might thereupon undertake such audit, either by himself or by some person to be nominated by him, at the sole expense of the society, which might be called upon to make a deposit of a limited amount for the purpose.*

127. A similar power might, we think, be given to the registrar to settle disputes (which the bill refers either to the court or to arbitration), on an application from both parties. This is recommended by Mr. Peacock, and assented to (subject to the objection of distance) by other legal witnesses, as Mr. Middleton and Mr. Ingle, though objected to by Mr. Strachan. It is indeed a remarkable fact that a Scotch witness who is in favour of absolutely open registration would think it "a great improvement in the law," if "the public officer's powers could be enlarged so that he might be employed as a judge " in all matters referred to him for decision . . . with appeal, if he certified that there " was ground for appeal, but not without his doing so." We should be disposed to extend this power, but only on the vote of a meeting of the society, to the case of winding up, the registrar being in both cases invested with adequate legal authority for the purpose. Mr. Peacock and Mr. Strachan, it may be observed, are again directly at issue on this point of winding up, the former recommending, the latter objecting to, the registrar's jurisdiction.

128. We think it is also important that the rules should specify the conditions of redemption, the mode of withdrawal of moneys by members or depositors, the notice to be given of the same, and the limitations, if any, to the right to withdraw, as it is clear from Mr. Strachan's evidence, as well as from various communications received by the Commissioners, that hardship frequently arises from this cause; and we are disposed to think with him that an express legal remedy should be given to the member for the purpose.

129. We do not know that the bill contains otherwise much matter requiring detailed comment. Sects. 12 and 16, as to registration and the effect of rules, should be modified in accordance with our previous suggestions. We do not object to the nomination clause (s. 24), which gives to building societies one of the advantages of friendly societies, and raises to 50*l.* (from 20*l.*), in accordance with the Friendly Societies Act, the sum payable on intestacy without administration. The dissolution and winding-up clause will perhaps require further elaboration, and we think it will be desirable, as in the case of companies and industrial and provident societies, to limit the period of liability for contributories (s. 26). Sect. 34 of the new bill, as to stamp duties, should be modified in accordance with our previous suggestions. Upon sect. 35, as to the vacating of mortgages by indorsed receipt, we would call attention to Mr. Middleton's evidence, particularly with reference to the practice of the Yorkshire registry. The bill should also be carefully revised with regard to the law of Scotland, as Mr. Auld, law agent to the "Scottish Property Investment Company," has stated that "it has no reference whatever to any of the peculiarities of the land rights of Scotland;" and indeed, at a meeting of managers and law agents of building societies at Glasgow, of which Mr. Culley gives an account, another law agent went so far as to express a wish for a separate building societies Act for Scotland, on the ground "that the provisions and forms applicable to the one country are totally inapplicable to the other." Much valuable matter in respect to this subject has been collected by Mr. Culley. The determination of the court in Ireland, by means of which the bill is proposed to be worked (the Civil Bill Court, see s. 4) should also perhaps be reconsidered with reference to the observations of Mr. Dix, solicitor to the "Irish Civil Service Building Society."† The penalties clause (s. 36) should be revised so as to apply to the case of a society exceeding the limits imposed on its borrowing power, and generally so as to render it really effective for the purposes of the bill. The evidence given before us from the registrar's office as to the inefficiency of the present provisions for enforcing returns from friendly societies has specially drawn our attention to this point.

130. Some additional clauses should or might usefully, we think, be introduced.

131. The necessary clauses should be passed for carrying out the suggestions made by us for securing publicity of registration, and appeals from the registrar's decision; for investing him with power to conduct arbitrations, windings up, &c.

132. Many of the larger building societies, in their present condition, are little to be distinguished from joint stock companies. Two of them, at least, which have closed their share lists, are practically identical with such bodies. We think that the transition from the one form to the other form should be facilitated, power being given to building

And might on request settle disputes or wind up.

q. 4362, and *passim.*

qq. 5164-6, 7250.

qq. 4775-6.

qq. 9133-5.

qq. 4370,

4780-1.

Rules should provide as to redemption and withdrawals.

qq. 4721 and following.

qq. 4721 and following.

qq. 4727.

Remaining provisions of the bill.

qq. 5037 and following.

q. 9929.

Report, para. 37.

Report, paras. 37-8,

56, and following, and answers appended, and see q. 12,996.

qq. 15,157-8.

Additional clauses suggested.

Power should be given to building societies to become either

* A Belfast solicitor, Mr. Johnson, who declines to express an opinion as to giving any general auditing power to the registrar (q. 13,795), would empower him to audit and register accounts between the society and its mortgagees, so as to give a discharge to the former (q. 13,788 and following). Mr. Armstrong, another Belfast solicitor, however, dissents from this proposal (q. 13,901).

† See also Mr. Glenn's and Mr. Johnson's suggestions, and those of Mr. Armstrong as to enlarging the powers of the chairmen of counties in Ireland, q. 13,753-7, 13,765-79, 13,806, 13,901, and following.

limited companies or industrial and provident societies.

societies, such as is now given to industrial and provident societies, to become limited companies. On the other hand, smaller societies, willing to submit to a restriction of the individual interests of members to 200*l.*, may deem it preferable to adopt the form of the Industrial and Provident Society (the wish to do so is distinctly expressed by one Scotch working men's society); we think that this transformation should also be allowed, but the mode of effecting either change should be at least as strict and formal as for a dissolution of the society.

qq. 4371-3, 5045-7, 5786.

Clause as to married women.

Clause as to joint membership.

qq. 9921 and following.

Periods for commencement of Act.

Recommendations.

Ante, 72, 79.

Ante, 79, 80.

Ante, 81, 10.

Ante, 90.

Ante, 88.

Ante, 91.

ibid.

Ante, 87.

Ante, 94.

Ante, 77.

Ante, 78.

ibid.

Ante, 132.

Ante, 121.

ibid.

Ante, 128.

Ante, 92.

Ante, 93.

ibid.

Ante, 126.

Ante, 120.

Ante, 108.

133. Having reference to the evidence of Mr. Peacock, Mr. Middleton, and Mr. Lee, as to the difficulties arising or likely to arise under the Married Women's Property Act, we are inclined to think that power should be given to societies by rule to require the consent of husbands to the holding of shares by their wives as separate property.

134. Lastly, we incline to think that in accordance with the suggestion of Mr. Auld, joint membership in building societies' shares might be allowed.

135. Two periods should probably be fixed for the coming into effect of the Act. It should take effect generally from its date; but a certain time should be allowed, six months, or even a twelvemonth, after which only the clauses relating to existing societies should take effect against them.

136. To sum up, therefore, our recommendations—

1. We think that the form of the building society (the prefix "benefit" might usefully be suppressed), as distinct from the joint stock company, should be maintained.
2. The law on the subject should be consolidated and amended.
3. Building societies should continue to be registered with the registrar of friendly societies. There should be one registrar for the United Kingdom, with assistants in Edinburgh and Dublin.
4. Before certification, rules should be deposited with some local authority, notice being given of the fact in the newspapers, so as to allow of objections being lodged with the registrar.
5. The registrar should have a limited discretion in certifying.
6. His decision should be subject to an appeal to one of the superior courts.
7. The registrar's certificate should be provisional only until confirmed, or if no appeal be lodged, until the lapse of the period limited for appealing.
8. The registrar's certificate, when confirmed, or if no appeal be lodged, after the lapse of the period limited for appealing, or the certificate of the court on appeal, should be conclusive of the legality of rules.
9. The certificate of registration should carry corporate powers.
10. Without prejudice to the general question of exemptions, we think that the exemption from stamp duty on mortgages should be limited to securities for sums not exceeding 200*l.*
11. The privilege of paying small sums on nomination or on intestacy without letters of administration should be raised to a maximum of 50*l.*
12. The privilege of priority against the estates of deceased debtors should be abolished.
13. Means should be provided for enabling building societies to register as companies or as industrial and provident societies.
14. In addition to the matters now specified in sect. 11 of the bill, the rules should contain provisions:
 1. As to whether there shall be any power to borrow, and to what extent, so that it be exercised within the limits fixed by law.
 2. As to whether preferential capital may be issued, and if so, within what limits.
 3. As to withdrawals and redemptions.
15. The schedules to the bill should contain:
 1. Forms of rules (three at least).
 2. Scales for repayment.
 3. Tables for calculating redemption values, &c.
 4. Forms of account (three at least).
16. The forms of account alone should be made compulsory.
17. The limit of the borrowing power should be two thirds of the total value of the amounts for the time being secured on mortgage, or as an alternative for terminating societies, six months' subscriptions; but societies which take no interest on their advances should be forbidden to contract loans.

18. Societies should be required to produce their mortgages to the auditors. Ante, 126.
19. The registrar should be invested with power :
1. To audit accounts on the request of a society. *ibid.*
2. To settle disputes on request by both parties. Ante, 127.
3. To wind up societies under certain conditions on the vote of a meeting.
20. Legal remedies should be given for enforcing the right of withdrawal against the society. Ante, 128.
21. The enforcement of the law should be secured by an efficient system of penalties. Ante, 129.
22. The bill should be harmonized with the laws of Scotland and Ireland, and amended as far as necessary for that purpose. *ibid.*
23. A few additional matters might be provided for, in particular joint membership. Ante, 134. &c.

(Signed) STAFFORD H. NORTHCOTE.
M. E. HICKS-BEACH.
SYDNEY H. WATERLOW.
J. BONHAM-CARTER.
E. M. RICHARDS.
C. S. ROUNDELL.
W. P. PATTISON.

APPENDIX.

APPENDIX No. 1.

MEMORANDUM by the SECRETARY on the REGISTER of FRIENDLY SOCIETIES for SCOTLAND.

THIS Register consists of a single small folio volume of 2½ quires, unpagged, and entirely manuscript. It is entitled:—"Record of Applications made for Certificates to the Registrar of Friendly Societies in Scotland, with the issue

of each, commencing Sept. 1st, 1846, being the date of Mr. Thomas Cleghorn's appointment as Registrar."

The first two pages are tabulated together as follows:

No. of Application.	Date of Application.	Name of Society.	Fee paid.	Date of Certificate.	Rules or Alterations.	No. in Register of County.	Future Amendments.	By whom Tables certified, and if purpose was certified and allowed.
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the last column, without a heading, containing a series of numbers in regular succession, beginning with 1,147, which may perhaps refer to the paging of a ledger, or other book of record.

Each page is, moreover, divided into two equal parts with the same figures in the lower half as those of column 1 (No. of application), and containing remarks directed to each, such remarks including, till within the last year of Mr. Cleghorn's tenure of office, invariably, and in later entries by him exclusively, the name and address of some person, presumably the secretary of the society referred to.

The same system prevails throughout Mr. Cleghorn's incumbency, except that the headings and even the divisions of columns generally disappear until 1849, when the register is again kept in a somewhat more clerical manner, with some slight verbal alterations in the headings, and the substitution in one column of "Date of original enrolment," for future amendments. Again, as time goes on, many of the columns cease to be filled up, and from February 7th, 1854, the figures in the last column disappear.

It is obvious that the volume in question is so far a mere day-book, or rather waste-book,† but one which supplies, on the one hand, through retention of the addresses of officers, means of communication between the registrar and the societies, and on the other a certain amount of valuable detail respecting the societies themselves, and the working of the law. Different classes of societies are indeed entered indiscriminately, as friendly societies, benefit building societies, certified charitable societies, and penny savings banks.

Mr. A. Carnegie Ritchie having succeeded to the office, as he states himself, by virtue of a Commission dated the 3d September 1855, appears from this time to the 30th November 1856, to have made no entries whatever of the business done, as the following remarks show:

"From 1st October 1855 until 30th November or 1st December 1856, there have been certified by me the rules of 53 friendly societies. There have been before me within that time the proposed rules of a good many more societies, in regard to which I have had very much correspondence, and many consultations, but the proposed rules referred to have not been adjusted as yet in such a manner as to enable me to certify them. Besides all this, I have constant communications from the office-bearers of "friendly societies," and applications for "opinions" and advice, and I have from time to time received many deputations from the country, and calls from "parties" in Edinburgh, acting for various societies.

There is a great deal of labour attendant on the office, and a very great amount of business to be done in connection with the office over and above the revising, examining, correcting, and certifying the "rules" of friendly societies.

(Signed) A. C. R.

Edinburgh, 10 Albany Street,
1st December 1856."

After the practical gap of 14 months, to which the above memorandum testifies, the register begins again in a new form. No columns henceforth appear beyond the original red ink marginal ones of the volume, but each two pages at first profess to contain the "Date of application and No.," "Name of society," "Date of certificate," and

"Observations." These latter, which are only abundant on the first page, and soon cease almost altogether, scarcely ever include the name or address of any officer, or in short anything whatever which can afford means of communication with a society beyond the mere entry of its name. The very numbers on the register, which, at first (under Mr. Ritchie) begin again every year,—itself a most inconvenient system,—disappear altogether after June 3d, 1862. Of course the previously existing system of entering different classes of societies indiscriminately continues,† societies registered under the Industrial and Provident Societies Acts being now frequently added amongst the others, as well as scientific and literary societies seeking certificates with a view to exemption from rates. It would be impossible to give an idea of the appearance of the register during the greater part of Mr. Ritchie's tenure of office. No ordinary shopkeeper would tolerate anything so slovenly.

On the 1st February, 1871, a new handwriting makes its appearance, and the entries are from this time at least clearly made, indicating invariably the nature of the entry ("First certificate," "Amended rules," &c.) But the form of the register continues to be most irregular. The volume appears to have been used with a view to effect various good intentions, which were generally but scantily carried out. After May 4th, 1871, the register is interrupted by the beginning of an abstract, attempted by Mr. Cleghorn, of the "annual returns for 1851-2, under 13 & 14 Vict. c. 115," and goes on again till June 29. Then it is again interrupted by a "list of societies registered under 13 & 14 Vict. c. 115," carried on till September 1855; then by a list (in Mr. Ritchie's hand) of "societies registered under the 11th section of the Act 18 & 19 Vict. c. 63, and also under "the 44th section of the statute 18 & 19 Vict. c. 63," which stops half way down the page with an uncompleted entry of "Nov. 4th" (1865); and then finally goes on again, the rest of the volume remaining blank. No index of any kind to the contents of the volume seems ever to have been attempted.

It is not too much to say that the so-called register of friendly societies for Scotland is in fact a mere waste-book of the most insufficient description, and most wretchedly kept. It affords no means whatever, except from the old entries by Mr. Cleghorn, and from perhaps half a dozen additional ones by Mr. Ritchie, of reaching any society by means of an address. Latterly it never distinguishes the nature of the society registered, except so far as this can be guessed from the title. In short, it is in such a state that the law cannot possibly be carried out.

Note.—Whilst the above is an accurate description of the only volume now used as a register in Scotland, and forwarded as such by the Registrar to the Commission, it must be mentioned that another volume is also in existence, which at one time really fulfilled the purpose of one, and which Mr. Culley discovered after the Commission had left Edinburgh (November 9th, 1871), as he states in a letter, "carefully locked away and forgotten by the registrar." (See paragraph 5 of his report.) This fact speaks volumes as to the state of the office.

* A statement made in evidence before the Commissioners by Mr. Mackenzie, Mr. Ritchie's assistant (q. 882), that the addresses of secretaries were not recorded by Mr. Cleghorn, is not borne out by the register.
† It appears to have been only this originally. See Mr. Culley's report, post, paragraph 5.

* Mr. Ritchie's memory must have failed him when he stated in evidence (q. 8909) that the register of building societies is kept "in a different part of the book," as no trace of any such separation is to be found in the existing register. See, however, Mr. Culley's report.

APPENDIX No. 2.

MEMORANDUM by the SECRETARY on the REGISTER of FRIENDLY SOCIETIES for IRELAND.

A Register, on a large scale, by order of date, in a thick folio volume of 470 pages, was commenced by Mr. Littledale, the present "locum tenens" of the Registrar. It consists of double pages, divided into 17 columns or sub-columns, with the following printed headings:—

Registry Number.	Name of Society.	Place of Meeting.	Date of Registry.	Secretary's Name and Residence.	Trustees Names and Date of Notice.	Returns sent in.	Number of Members 31st Dec.	
							M.	F.
Deaths.		Days' Sickness.		Gross Receipts.	Gross Expenditure. *	Observations.		
M.	F.	M.	F.					

The pages are cross-ruled to admit of entering four entries on each double page. The numbers of this register extend from 1 to 486, and dates from 14th June 1797 to 10th December 1844, in which no further entry occurs. Beyond the first five columns, however, and a few entries in the last one of "Observations," I have not noticed that the columns are filled up. This register, so far as it goes, is obviously quite satisfactory, except that it is too elaborate, and attempts, perhaps wisely, to combine the purposes of a journal and ledger. Littledale states that the reason for not carrying it on simply that of expense, the Treasury allowance for enses not being sufficient. Except, however, as above, all items relating to the registration of societies are to be sought for in two manuscript volumes in small 4to., the one extending to 1850, the other the present time. These are in purely alphabetical order, without division of columns, and appear at first to be little more than a compressed mass of words, letters, and figures; but by a system of abbreviations, Mr. Littledale has ingeniously contrived to pack into them, not only names and addresses of societies, but the dates of original registration, of the registration of amended rules, appointments of new trustees, changes of residence, annual returns, resolutions before magistrates, sick returns, treasurers' reports, dissolution, and sometimes other details, all under the same society heading.

Societies registered under different Acts, as friendly societies, benefit building societies, and industrial and provident societies, are indeed registered indiscriminately, and except so far as the title may supply a clue, the precise nature of the society can only be discovered by referring to the rules, which are kept in bundles year by year, together with appointments of new trustees and other matters requiring registration. The rules are all endorsed with the date of registration, and mark the one of the two 4to. volumes to which they refer.

It must be added that the rules, &c. are also covered with endorsements of the notes made by Mr. Littledale, and the questions asked by him, showing that each case is carefully investigated; nor is the certificate ever written out by the clerk without Mr. Littledale's final endorsement by way of fiat.

It is obvious that the two 4to. volumes referred to cannot properly be called a register, but they contain sufficient materials for the construction of one, and, in the hands of a man of Mr. Littledale's ability and efficiency, afford the means of carrying on the work of the office in a satisfactory manner. Any society can be picked out by its name, and the registrar can ascertain at once all the chief particulars relating to it; but there is no check anywhere, and the efficiency of the system followed depends entirely on the care and vigilance of Mr. Littledale.

Report by George Culley, Esq., Assistant Commissioner, on Benefit Building Societies in Scotland.

To Her Majesty's Friendly Societies Commissioners.

GENTLEMEN,

1. I HAVE the honour of submitting to you the evidence I have received on the subject of Building Societies in Scotland. I should rather have said some portion of the evidence, as the time at my disposal since I received the answers given by officials of societies to the Commissioners' circular of inquiry has only been sufficient to enable me to make certain extracts from those papers which appear to me to contain the most important information.*

Manner in which evidence has been treated.

2. I received copies of the circular of inquiry on the 3rd of November, and immediately distributed them to the managers and law agents of upwards of 40 building societies registered under 6 & 7 Will. 4. c. 32, as well as to the secretaries of seven limited companies carrying on much the same business as benefit building societies. Up to the time at which I write I have received answers from 23 societies and six companies.†

Circulars of inquiry distributed and returned.

One reason for my distributing copies of the circular to certain companies registered under the Companies Act was, that the use of the word company in the titles of several societies registered under the Building Societies Act made me uncertain as to the character of the companies or societies whose addresses I had been able to obtain. I have no reason, however, to regret that I wandered beyond the range of benefit building societies proper, as the operations of the limited companies about which I have received evidence are almost necessary to illustrate the general aspect of the subject of my report.

3. Considering that it is the practice of the Registrar of Friendly Societies for Scotland, when granting his certificate to a building society, to retain one copy of the rules in his office, I had hoped to be able to give you some statistics as to the actual number of benefit building societies in Scotland and their character. I regret to say that I found it impossible to collect such information from any record kept by the present registrar.

Statistics of benefit building societies in Scotland.

From the passing of the Act 6 & 7 Will. 4. c. 32, up to 1855, a register of building societies in Scotland, giving the "name of the society," registered "place of business," "date of original institution," and "date of certificate" (under 6 & 7 Will. 4. c. 32), was kept by the late registrar (Mr. Cleghorn) in a separate part of the general register of friendly societies. This register of building societies was kept in the same form by the present registrar up to July 1864. From July 1864 to February 1871 the only register of building or friendly societies, or any other societies obtaining certificates from the Registrar of Friendly Societies, is the waste book formerly used as a daily record book by Mr. Cleghorn. In this book all societies of whatever kind are mixed together, with no entry to show whether the certificate was the first obtained by the society, or was for an amendment of rules, or what not. From February 1871, though the daily record book remains the only register, the entries made by Mr. Mackenzie (the present registrar's assistant) show the nature of the certificate.

4. The only reliable statistics then which I can give you with regard to the number of benefit building societies in Scotland are—1st. That from the passing of the Act 6 & 7 Will. 4. c. 32, up to July 1864 130 such societies had received their first certificate. 2nd. That during the first six months of the present year six new societies were registered.

How many of these 130 societies registered up to 1864 were "terminating" and have died a natural death, or how many have got into trouble and come to an unnatural end, there is nothing in the register to show.

April 1851 is the date of institution of the first societies on the permanent principle in both Edinburgh and Glasgow.‡ It may be fair, therefore, to conjecture that all or nearly all of the 27 societies registered before that date were terminating societies, and have, let us hope with the single melancholy exception of the "Inverness Building Association," ceased to exist.§

We may, however, perhaps arrive at an approximation to the number of existing societies from the following statistics of Edinburgh and Glasgow. Between 1857 and 1864 there were registered in Edinburgh 20 societies; there are now 14. Between the same dates there were registered in Glasgow 26 societies; there are now 17. If, then, the existing societies throughout the whole country are to those registered up to July 1864 in the same proportion as those of Edinburgh and Glasgow combined, there should be about 88 building societies in Scotland registered under 6 & 7 Will. 4. c. 32.¶

Probable number of building societies in Scotland registered under 6 & 7 Will. 4. c. 32.

* I must take this opportunity of apologising to many painstaking witnesses for, what may appear to them, the very unnecessary trouble I put them to.

† The "term time," a very busy time for professional men in Scotland, proved a very unhappy time for the distribution of such a serious schedule of questions. Many circulars put away by willing witnesses to wait a more convenient season have apparently been forgotten.

‡ The Experience Investment Society in Edinburgh, and the Caledonian Permanent Property Investment Company in Glasgow.

§ The Inverness Building Association, a terminating society, begun in 1849, and calculated to last 10 years, still drags on, to the discomfiture of 10 borrowing members.

¶ Probably this estimate is somewhat under the mark, as I am told the Glasgow societies were at one time peculiarly unfortunate, a fact of which the exceeding youthfulness of most of these on my Table A. gives an indication. If we are to accept the increase in the number of societies for the first six months of the present year as a normal rate of increase, benefit building societies in Scotland will soon be much more numerous.

arrangement of evidence.	5. The first part of the evidence consists of four tables designed to show the general financial arrangements of building societies and companies. Then follow extracts from the returns made by the officials of 14 societies, intended to show more minutely, the arrangements made by the different classes of societies with their investing and borrowing members, including also the opinions of certain law agents as to the law of building societies. The latter part of the evidence, which I may call miscellaneous, consists chiefly of information I received from personal interviews with managers, secretaries, and law agents of societies and companies.*
Table A.	6. Table A. gives the titles, head-quarters, date of establishment, number of members, value of shares, and character (whether permanent or terminating) of the 23 societies from which I have, as yet, received answers to the circular questions.
Titles of Edinburgh and Glasgow benefit building societies.	From this table you will see that while the Edinburgh societies generally call themselves property investment companies, the style fashionable in Glasgow is that of investment and building society. As neither the property investment companies of Edinburgh nor the investment and building societies of Glasgow actually build houses, though they are at the same time registered under the Building Societies Act, it may be a somewhat nice question as to which title is the best chosen. In speaking of all companies or societies registered under the Building Societies Act, I shall henceforth term them benefit building societies.†
Business of Edinburgh and Glasgow societies is simply to grant loans on house property.	7. The benefit building societies, then, of Edinburgh and Glasgow have, all of them, this common feature, that they are simply loan societies, confining their loans to heritable property, or perhaps more properly house property. They neither purchase land nor build houses, and though they occasionally make advances by instalments to builders or owners of buildings in course of erection, the bulk of their business consists in granting loans to would-be owners of buildings when completed. I have used the word buildings instead of houses in the last sentence because it is meant to include shops, and in some few cases factories.‡
Shares and subscriptions of Edinburgh and Glasgow societies.	8. From Table A. it will also be seen that 16 out of the 18 benefit building societies of Edinburgh and Glasgow adopt 25 <i>l.</i> as the value of a share, and, by referring to the sixth column of Table B. and appended note, you will observe that the Edinburgh societies usually receive fortnightly subscriptions of 1 <i>s.</i> , while the Glasgow societies receive monthly subscriptions of 2 <i>s.</i> per share. Both classes of societies, however, accept larger subscriptions, varying from 6 <i>s.</i> per month up to a whole year's subscriptions. The rule as to subdivision of shares varies; in most societies, where allowed at all, the subdivision is only allowed to borrowing members.§
Edinburgh and Glasgow societies as mediums for applying loans for the working classes.	Of the nine Edinburgh societies, represented in Table A., five are permanent and four terminating. Of the nine Glasgow societies all are permanent. As far as I know there is now only one terminating society in Glasgow, and that is in process of winding up.
Table B.	9. Another feature which I think will strike you in looking over Table A. is the comparatively small number of persons in Glasgow who are members of benefit building societies. In point of fact, if the societies from which I have received returns are, as I have every reason to believe, fair examples of those which remain behind, Edinburgh, with less than half the population of Glasgow, supplies more than twice as many members of building societies. Nor is this in any way to be accounted for by the greater need of house accommodation in Edinburgh. There is unhappily great need for improving the habitations of the labouring class in Edinburgh, but, as far as I can judge, much greater in Glasgow, and this difference between Edinburgh and Glasgow seems to me an indication of how little such associations as the benefit building societies of Glasgow can be expected to do towards providing houses for the working classes. As between England and Scotland, there are difficulties in the way of the northern labourer which fall more lightly on his southern brother, to which I may afterwards refer, such as the fashion or necessity of building much more substantial houses in the north, and the impossibility of obtaining land on feu in the neighbourhood of such towns as Edinburgh and Glasgow upon which anything but stone houses may be erected.
Index numbers refer to Table A.	10. Table B. is intended to show the general financial arrangements of the 15 Scotch benefit building societies which were the first to send in their answers to the circular questions. Six of these societies (three permanent and as many terminating) have their head-quarters in Edinburgh; six, all permanent societies, represent Glasgow, and three, all permanent, represent as many country towns.
Largest number of shares held by one member.	Instead of the titles, which would extend the schedule beyond the capacity of a blue book, I have used index numbers to enable you to identify the societies by a reference to Table A.¶
Average number and value shares per member.	11. By referring to column 7 of this table, you will see that the largest number of shares held by any one member of these societies is 348 shares of 25 <i>l.</i> each, held by a member of the 1st Scottish Union Property Investment Company, a terminating society; also that five other societies have members holding as many as 100 shares each, these shares being also 25 <i>l.</i>
	12. Column 8 gives the average number of shares held by each member. The smallest average per member of the Edinburgh and Glasgow societies is that of the Scottish Property Investment Company, the most important permanent society in Scotland, and that average is eight shares of 25 <i>l.</i> each. The highest averages in the column, viz., 19 and 16 shares of the like amount, are returned by two terminating societies. The general average is about 12 shares of 25 <i>l.</i> each. The country societies return a much smaller average per member.

* Owing to the short time at my disposal for arranging the evidence given in answer to the circular questions, I have been obliged to omit the opinions expressed by two or three of the legal advisers of Glasgow societies; their opinions are, however, to a certain extent represented by the resolutions of the meeting of the 28th of November, at which they were present.

† Mr. George Watson's disclaimer against the use of the term building society is somewhat amusing (see Appendix 3).

‡ The fashion of the title will be pretty well understood as a matter of desirable imitation, when we consider that the oldest and most successful society in Edinburgh is called the Scottish Property Investment Company, while the most successful society in Glasgow is the Scottish Savings Investment and Building Society; so also with limited companies, the Heritable Securities Investment Association was the unwilling father of the Scottish Heritable Securities Company.

§ A good many Glasgow societies got into trouble by advancing money to build factories, and most of the societies are now unwilling to accept such risks. One society, now in course of winding up, after having lost 3,000*l.* in a useless factory, threw away 2,000*l.* more in a vain endeavour to turn the factory into dwelling houses.

¶ The monthly subscriptions of the Caledonian Savings Investment Society and the Glasgow Provident Investment Society are 2*s.* 6*d.* per share of 25*l.*

|| I have made the same arrangement with regard to Table C.

13. By adding up columns 4, 10, and 20, it will be seen that the yearly management expenses of these societies are on an average about 8s. per member, or about 3½ per cent. of the annual subscriptions. The Scottish Property Investment Company with its 2,800 members, and annual subscriptions of about 18,000L, spends only 620L in management expenses. The Scottish Savings Investment and Building Society with an income from subscriptions of about 12,300L spends about 455L in management expenses. In some of the smaller permanent societies the management expenses as compared with the income from subscriptions is very large.

Management expenses.

14. From column 11 you will see that the largest advances made by these societies vary from 500L to 12,200L. The 1st Scottish Union Property Investment Company (a terminating society) here takes precedence with an advance of 12,200L; the Scottish Property Investment Company comes next with an advance of 8,000L, and then follow two other permanent Edinburgh societies with an advance of 3,000L each. Four other societies (two of them terminating) have advanced sums of 2,000L or over.

Largest advances made by societies vary from 500L to 12,200L.

15. The only other column of this schedule which calls for any special notice is No. 12, which gives the average amount of advances. Leaving out of the calculation the Scottish Friendly Property Investment Company, which is a terminating society in that stage of existence when it practically ceases to make advances on heritable property, the average amount of the loans granted by the 11 Edinburgh and Glasgow societies, recorded in the schedule, is about 450L. The lowest averages are given by two important permanent societies in Edinburgh, viz., 250L each, while the six Glasgow societies vary from 300L to 680L.

Average amount of advances.

16. Except in the case of a very large number of transactions, as for instance in the return made by the Scottish Property Investment Company, where the average is 250L, I should not be inclined to place much reliance on the average of loans as indicating the extent to which these societies are instrumental in providing houses for the working classes. In the first place, second loans of small sums in the same property are treated as separate advances, and therefore tend to diminish the average amount of advances, and in the second place, there are some circumstances connected with house property in Edinburgh and Glasgow which would tend to make the statement of average advances deceptive in the other direction.

Statement of average advances is not good guide to form any conclusion as to the character of houses built in such towns as Edinburgh and Glasgow.

What in England would be generally described as a *house* would in Edinburgh and Glasgow be more accurately described by the word "*tenement*." A "*tenement*," say in Glasgow, such as is (unhappily for want of room) built for the accommodation of working men and their families, generally consists of three or four "*flats*," approached by a passage and common stair, and each "*flat*" may be divided into two, three, or four "*houses*" (in the Scotch sense), say for example into three houses of two rooms each. Suppose then, as is often the case, 12 men associate together to build a tenement of four flats containing 12 houses in all, the houses to be allocated amongst them when finished. The association having completed some portion of their tenement, the next process is to borrow money from an investment society, and this, in order to avoid the difficulty of identifying by description three houses of the same character on the same flat, as well as a doubt as to the legality of joint shareholders, will probably be advanced to one representative of each flat, so that an advance of, say 600L, may mean a loan on three workmen's houses.*

Tenements, houses, and flats in Edinburgh and Glasgow.

17. To settle the question as to the effect of the operations of the benefit building societies in Scotland in providing houses for the labouring classes, it will be better to confine your attention to the answers to circular questions, 60, 61, and 62.

No society of the kind in Scotland has probably done so much in this respect as the Scottish Property Investment Company of Edinburgh. In his answers to the circular questions, Mr. Cameron, manager of this society, says:

Effect of the operations of benefit building societies in supplying labourers' dwellings.

"Not over 25 per cent. of our members are in receipt of weekly wages," and he continues, "more loans have been made to working-men members during the last three years than during the preceding 18 years of the company's existence."

This is the most hopeful answer I have received, and that it can be given is, I think, due to the operations of such associations as the Edinburgh Co-operative Building Company. From Glasgow no such favourable answer could be obtained; and I think it may be safely said that, however much aid these societies have given to the tradesman class in enabling them to acquire houses and shops, they have been able to effect little towards improving the dwellings of the labouring class in large towns. The position of the benefit building societies in the smaller country towns, especially where these towns have been making any rapid progress in population, is altogether different. In the neighbourhood of the smaller towns land is cheaper, and obtainable with less restriction as to the character of the houses to be erected on it; the result being that societies such as those I am discussing are much resorted to by the labouring class. For example, three fourths of the members of the Grangemouth Building Society are working men, whilst the Hawick Working Men's Building Society is almost altogether composed of the same class.

18. Table C. is intended to show the extent to which borrowing powers have been used by 14 Scotch benefit building societies. Of the societies represented in the schedule, six are in Edinburgh, as many in Glasgow, and two in smaller country towns. Of the six Edinburgh societies three are terminating: the whole of the remainder of the 14 societies contained in the list are permanent.

Table C.

19. The first feature which will probably strike you on looking over this schedule is the much greater extent to which the deposit system has been developed in Edinburgh than in Glasgow. Terminating societies in the earlier stages of their existence naturally borrow more freely than permanent societies,

Extent to which borrowing powers are used.

* The old flats in Edinburgh approached by a common stair entering in front are frequently piled one on another, till what in England would be called a house may contain 20 houses in the Scotch sense. In the neighbourhood of Edinburgh, under the auspices of the Edinburgh Co-operative Building Company, small tenements of two flats made self-contained by the upper one being entered by an outside stair from the back, are gradually replacing the tall tenements of the old town; but in Glasgow tenements of flats three or four stories high, only differing from the old Edinburgh plan in that the common stair is at the back of the building, are still the order of the day. Unhappily in Glasgow not only ground so build on but building itself (only stone being used) is very expensive, and unless cheap trains and tramways can be made of more avail than at present to scatter the dwellings of the working population, I am at a loss to see how even the best possible system of mutual heritable investment societies can provide decent houses for ordinary labourers at a cost they can repay by instalments.

Labourers' houses in Edinburgh and Glasgow.

and three out of the six Edinburgh societies represented are youthful societies of that class, whereas the six Glasgow societies are all permanent. The inclination to use borrowing powers is, however, as you will observe, pretty well marked in the permanent societies of Edinburgh, and almost discarded by the same class in Glasgow.

From the fourth column of Table C., which gives the proportion of loans to the present value of mortgages held, you will see that the largest borrower, in proportion to the value of heritable securities held, is the 2nd Scottish Union Property Investment Company, established in the present year; the proportion in the case of that society being seven eighths. In the case of the two other terminating societies established in 1867 and 1869 the proportions are respectively five sevenths and five eighths. The Improved Edinburgh Property Investment Company (which I have called a permanent society, though it is founded on the terminating principle, and is only permanent in one sense, that it starts a new section every year) borrows to the extent of four fifths of the value of its mortgages. The Scottish Property Investment Company, a permanent society, stands as a borrower of two fifths of the value of its mortgages, whilst the largest society in Glasgow of the same class (the Scottish Savings Investment and Building Society) only borrows one seventeenth.

Standard
Investment
and Building
Society.

20. I have omitted from Table C. the largest borrower of the benefit building societies of Scotland, viz, the Standard Investment and Building Society of Edinburgh, because it was only within the last few days that I received from the secretary of that society, Mr. J. D. Smith, such information as enabled me to separate the sums due to investing members from those due to depositors. According to the secretary's evidence, which I think will be read with some interest by the Commissioners who examined the manager of the society in Edinburgh (see Appendix, No. 1), the sums held by the Standard Society on deposit amounted at the date of the last balance sheet to 224,491*l.*, while the balance of mortgages due to the society amounted to 216,932*l.*, the difference being more than provided for by a balance of 20,000*l.* lodged with the society's bankers.

As between investing members and depositors the sums due by the society at the date of the last balance sheet were as follows:—

	£
To investing members - - - - -	95
To depositors - - - - -	224,491

In point of fact the Standard Society had almost eliminated the article shareholder. According to the secretary's evidence the members or shareholders now amount to 15 (10 of them holders of permanent shares), while the borrowers number about 650.

However anomalous may be the position of the Standard as a society registered under the 6 & 7 Will. 4. c. 32, it represents (or represented, as it may by the time I write be a limited company) the only benefit building society in Scotland making advances to the public without fees or fines, and in this respect the borrowing householders owe it a considerable debt of gratitude, not only as to its own practice, but as to the influence of that practice on other societies.

During the 14 years of its existence the Standard has advanced nearly 600,000*l.* on house property, and accumulated a reserve fund of about 15,000*l.* There can, however, I think, be little doubt that the directors are taking a wise course in converting the society into a limited company.

Scottish
Property
Investment
Company.

21. Of the same class as the Standard, in so far that it does not allow its borrowers to participate in profits or losses, and makes advances on fixed scales for different terms of years, but differing from the Standard in so far that it makes advances to members only, is the Scottish Property Investment Company, now, if not for many years, the most important benefit building society in Scotland. This society was begun on the terminating principle in 1849, and converted to the permanent in 1853. During its existence it has advanced 650,000*l.* on heritable securities, and its members now number about 2,800.

Scottish
Savings
Investment
and Building
Society, Glas-
gow Provident
Investment
Society, and
Equitable
Heritable
Property
Investment
Society.
4th Edinburgh
Property
Investment
Company,
Scottish
Friendly
Property
Investment
Company, and
1st and 2d
Scottish Union
Investment
Companies.
Country
societies.

22. I have inserted the evidence of Mr. Hugh Cameron, the manager of the Scottish Property Investment Company, at length in the Appendix (see No. 2), as well as some extracts from the evidence of Mr. R. Black, manager of the National Freehold Building Society (see Appendix, No. 11), a society of the same class in Glasgow. Most of the permanent societies in Glasgow, however, differ from the Scottish Property Investment Company in that they allow borrowers to participate in profits and take premiums for loans, which the Scottish Property Investment Company and National Freehold Building Society do not. These societies are represented in the evidence by extracts from the returns made by the managers of the Scottish Savings Investment and Building Society (Appendix, No. 7), the Glasgow Provident Investment Society (Appendix No. 8), and the Equitable Heritable Property Investment Society (Appendix, No. 10). The Scottish Savings Investment Society has a very wholesome custom of transferring the subscriptions of a member over six months in arrears to the deposit account, instead of accumulating the fines till the shares are forfeited.

23. The societies I have just been speaking of differ very little from the class of terminating societies, except that they can open accounts at any time, and are not under the necessity of borrowing largely at one period of their existence and lending at another. You will find the case of terminating societies pretty well represented in the Appendix by the evidence of Mr. Geo. Watson, law agent of three societies of that class (Appendix, No. 3), and extracts from the returns made by Mr. Robert Forest, treasurer and secretary of the Scottish Friendly Property Investment Company (Appendix, No. 4), and Mr. Jas. Paterson, treasurer and secretary of the 1st and 2nd Scottish Union Property Investment Companies (Appendix, No. 5).

24. The societies in country districts represented in the Appendix by the evidence of Mr. Wm. Martin, secretary to the Dumfries and Galloway Benefit Building Society (Appendix, No. 12), Mr. D. A. McClaren, manager of the Grangemouth Building Society (Appendix, No. 13), and Mr. Chas. Wilson, secretary to the Hawick Working Men's Building Society, are of a different character from those I have just been discussing.

25. In the Dumfries society, which numbers 728 members—

Dumfries
and Galloway
Building
Society.

“A borrowing member has to repay his advance by a weekly instalment of not less than 1*s.* per share (3*0l.*), but the payments are quite optional so long as a member is not a borrower. Sums as small as three-

pence can be given as deposits by non-borrowing members, and a member may take as many shares as he pleases on a payment of 1s. per share. A member may deposit any sum he pleases without exceeding 30l. on each share."

The premium is at present fixed at 10s. per share for buildings newly erected, and 20s. for older buildings.

There does not appear to be any rule for repayment of advances except that—

"When a member has obtained an advance from the society he shall pay at least 1s. per share per week on each share he has had advanced."

By the second rule the society has power to purchase land for building sites.

26. The Grangemouth Building Society is literally a building society, lending money to its members to buy the houses built by the society. Two shillings a month is paid by members as subscription to 25l. shares, and five per cent. interest is charged on loans till paid off by subscriptions to shares. The houses are put up to competition amongst the members, and premiums carried to the profit and loss account of the society, in which all members participate.

The Manager desires to see the titles to property simplified, and complains of the cost of conveyance, which he estimates at 5l. on a house worth 100l. He also states that his society could be better conducted under the Industrial and Provident Societies Act.

27. The Hawick Working Men's Building Society is also literally a building society, building houses and selling them to its shareholders, who borrow money from the society, to be repaid by instalments of 7½ per cent. spread over 22 years. The shares are 5l. each, paid up by an entrance fee or deposit of 2s. 6d. and monthly subscription of 1s. 6d., and cannot be withdrawn. The society is, in fact, in the position of a limited company with a capital consisting of 5l. shares fully paid. The members are chiefly working men, and are of opinion that building societies should have compulsory powers to purchase land for building sites.

28. The Kelso Working Men's Savings Investment and Building Society, certified by the Registrar of Friendly Societies in May 1869, is another society intended to "procure building ground either by feu or purchase," for the purpose of building houses for its members. Its shares of 5l. each are raised by a deposit of 2s. 6d. and monthly subscriptions of not less than 1s., and are not withdrawable. Up to the 31st of December last 322 shares had been taken, and 506l. paid on them. In fact it is a society on the same principle as the Hawick Building Society, but as yet has neither purchased land nor built houses.

29. In the Appendix (see No. 27) I have inserted some extracts from a letter which I addressed to the secretary of the Commission, on the position of the Inverness Building Association as represented by Mr. Donald Forbes, one of its borrowing members.*

The facts of the case, as far as they can be gathered from Mr. Forbes' letter and the documents he forwarded, are shortly these:—The society was started in 1849, and calculated to last 10 years, the 25l. shares being raised by weekly subscriptions of 6d. It still lingers on after a life of 22 years, and though reduced to 16 members (10 borrowing and six investing), seems likely to linger on till, as Mr. Forbes says, it completes the ruin of the 10 unhappy borrowing members. The society does not appear ever to have issued any printed copy of its rules (my notes were taken from the original MS. copy), nor to have acted on its 12th rule, which provides for a quarterly audit and publication amongst its members of abstract of report.

It would be only a waste of time to go further into the case here, but I think it is worth looking into as an illustration of the unhappily undefined position of a borrower who participates in the profits and losses of a society, and of the mischief which may arise from granting an apparently authoritative certificate to a society evidently founded on an unsound financial basis. It appears to me, in fact, that as soon as you grant a certificate which can possibly be construed into anything more than a mere record of registration, you put yourselves under the necessity of ascertaining on competent authority that the rules for which the certificate is granted are both legally and financially calculated to carry out the objects for which they are drawn up. The day is perhaps not far distant when it may be thought desirable to put all companies and societies under some governmental board, having the same sort of authority over them that the "Board of Supervision," for example, has over the parochial boards in Scotland. Under such an institution the Inverness Building Association would probably have been wound up years ago.

30. Besides the benefit building societies, there are in Edinburgh three limited companies and a large number (perhaps 100) of associations of working men, all contributing to the acquisition of house property.

The Heritable Securities Investment Association and the Scottish Heritable Securities Company advance money on heritable securities, repayable by instalments on fixed scales in the same manner as the Standard and Scottish Property Investment Company, and other permanent benefit building societies of the same character. The general financial arrangements of these companies are given in Table D. of the Appendix. As subjects for investment by the labouring class they are open to the objection that only one fifth of the subscribed shares are actually paid. As means of obtaining loans on household property they possess the same advantages as the class of benefit building societies I have named.

31. The operations of the Edinburgh Co-operative Building Company (managed entirely by working men) you have already had explained to you by the manager, Mr. Colville, and its great promoter, Dr. Begg. The early struggles of this very useful and successful company are very interestingly described by Dr. Begg in his pamphlet entitled "Happy Homes for Working Men." There is nothing in the constitution of this company which should not entitle it to any exceptional legislation in favour of societies which possess power to buy or feu land. As to the character of its shares, it is in the same

Grangemouth Building Society.

Hawick Building Society.

Kelso Building Society.

Inverness Building Association.

Registrar's certificate.

Table D. Limited companies and associations of builders in Edinburgh.

Heritable Securities Investment Association and Scottish Heritable Securities Company.

Edinburgh Co-operative Building Company.

* I have no copy of Mr. Forbes' letter which was attached to mine.

position as the Hawick and Kelso Building Societies, which are, whether properly or not, registered under the Building Societies Act.

Associations of working men as builders.

32. The associations of working men are generally composed of from 10 to 20 persons, most of whom are by their trade able to take some part in the erection of the houses they desire to build. These associations are, to use the expression of the manager of the Standard Building Society, in a manner affiliated with the investment societies; the Scottish Property Investment Company has, for example, about 30 such associations connected with it. The difficulty these associations lie under in dealing with the investment societies as borrowers is that, according to an old decision in *Dobbinson v. Hawkes* (12 Jur. 1037), a benefit building society cannot deal with joint shareholders. As a matter of practice the societies do lend the associations money before the houses are allocated amongst the members (in order to prevent them borrowing at exorbitant interest from private money lenders), accepting one member of the association as a shareholder, and holding the others jointly liable with him. Both on account of these associations, and to enable members of the same family to hold joint shares, it would seem desirable to enact, as suggested by Mr. John Auld in the evidence given by him before the Commissioners in Edinburgh, that persons may hold shares jointly.

Building companies in Glasgow.

Glasgow and Suburban Dwellings Company.

33. I have also received evidence from the officials of three building companies in Glasgow, chiefly composed of working men (see Table D.).

The most important of these is the Glasgow and Suburban Dwellings Company, whose object is not only to build houses for the working classes, but also to grant loans to purchasers on the same principle as permanent benefit building societies. From small beginnings this company, established in 1867, has now a paid-up capital of upwards of 10,000*l.*, and is able to borrow as much as it pleases on deposit. Its shares are 5*l.* each, subscribed by monthly instalments of 1*s.* There are now over 400 shareholders, and their numbers are increasing. My remarks upon the position of the Edinburgh Co-operative Building Company, with regard to exceptional legislation in favour of building societies, apply equally to this company.

The following passage occurs in the circular returned by the Messrs. Lindsay, treasurers of the company:—

"We cannot build, in a tenement, a good two-roomed house with scullery and W.C. under 150*l.* The price of ground in Glasgow is a great impediment to building good houses within the means of labouring men, necessitating four-storey tenements with common stair. If suitable ground could be had within a moderate distance at from 2*s.* 6*d.* to 3*s.* per yard, two-storey houses of two or three apartments with proper conveniences and separate gardens might be provided at a little over 100*l.* each. The state of the law of heritage and the great expense of titles of small subjects is a great hindrance, and the company are anxiously expecting some improvement in this respect."

The following suggestion was made to me by Mr. J. M. Robertson, law agent of the company I am speaking of:—

"It is very desirable that the enactments authorising the repayment of deposits in savings banks to the next of kin or other representatives of deceased depositors without confirmation or probate, should be extended to deposits and shares of such companies as this. Already in our experience several cases of great hardship have occurred from the company's being obliged, for its own safety, to require the representatives of deceased depositor or shareholder to obtain letters of administration or confirmation before paying up the deceased's shares or deposits, although these might be very small and form the whole estate. It is also desirable that the whole exceptional legislation designed to encourage the working classes to invest their savings in dwelling houses for themselves should be extended to such companies as this, seeing that they effectually accomplish the object in view."

Glasgow Co-operative Building Company.

Associated Joiners Building Company.

34. The Glasgow Co-operative Building Company, instituted in 1867, is another company of the same character as the Edinburgh Co-operative Building Company, building dwelling houses suited to the wants of the working classes, but not advancing money to its purchasers; its shares are 1*l.* each.

35. The Associated Joiners Building Company of Glasgow also builds and sells houses, but its object appears to have been more to protect the interests of joiners than to provide houses for workmen. In answer to inquiries on my part, Mr. Geo. McKinley, secretary, said—

"All our members are joiners, and must be. The idea was perhaps to aid joiners as a body by finding them work in case of a strike, also with an idea of finding what would be a fair share of profit to the joiner."

About 800 of the 1*l.* shares of this company have been paid up.

Evidence on law of building societies.

36. By way of illustrating the evidence I have received on the law of building societies, I may as well take the proceedings and resolutions of a committee of the managers and law agents of the Glasgow societies, which I attended by invitation on the 28th of last month.*

Committee of law agents and managers of Glasgow benefit building societies.

The committee I speak of consisted of five managers and as many law agents, viz.:—

Messrs. W. T. Ross and Geo. McGregor, law agent and manager of the Scottish Savings Investment and Building Society.

Messrs. W. B. Faulds and Geo. Muir, law agent and manager of the Glasgow Provident and Investment Company.

Messrs. C. B. Aikman and J. Graham, law agent and manager of the Equitable Heritable Property Investment Society.

Messrs. A. Watt and A. Campbell, law agent and manager of the Glasgow Equitable Permanent Property Investment Society.

Mr. Jas. Smith, law agent of the Caledonian Savings Investment and Building Society; and

Mr. J. Thompson Duncan, manager of the Glasgow and West of Scotland Savings Investment and Building Society;

* No reporter being present, the wording of the resolutions, as well as the summary of the discussions, are taken from my notes, and I hold myself answerable for their correctness.

and was appointed at a general meeting of managers and law agents of Glasgow societies to draw up representative answers to the questions in the Commissioners' circular of inquiry which refer to the law of building societies, each society, however, reserving its right to make an individual answer.

37. To question 66 the committee were unanimous in answering that "the law on the subject of building societies is in an unsatisfactory state; that building societies should have a separate Act, and not be mixed up with friendly societies."

Circular questions.

One of the law agents (Mr. Jas. Smith) expressed his desire very strongly to have a separate Act for Scotland, on the ground that—

Question 66.

"The land rights of Scotland are totally different from those of England; that the provisions and forms applicable to the one country are totally inapplicable to the other."

38. The committee expressed a general approval of Mr. Gourley's Bill, subject to amendments referred to, in answer to questions coming later in the schedule; and subject to a provision that the portion of the Act applicable to taking and discharging securities in Scotland should be prepared by a Scotch lawyer; and that forms of a bond by a borrowing member in Scotland, and a discharge of such bond, should be appended to the Act, as also a form of bond of caution in the Scotch form; and generally that the language of the Act should be such as to be easily understood in Scotland.

Question 67.

I shall have to refer to the difficulty, or supposed difficulty, of a statutory form of bond and discharge afterwards.

39. Very strong differences of opinion manifested themselves amongst the members of the committee as to what answers should be given to questions 68 and 69, or rather especially with regard to question 69. With regard to question 68 it did not appear that the committee had any particular fault to find with the present form of registering or certifying the rules of building societies. On the question as to whether the Registrar's certificate should be conclusive as to the legality of a society, Messrs. Fauld and Campbell contended that the Registrar's certificate should be conclusive of the legality of the society, as otherwise it was only a trap to catch the unwary; while Mr. Watt contended that though the Registrar might certify to the legality of rules to the best of his ability, the rules should stand or fall by the laws of the country, and that to give the Registrar such a power as that suggested was to make a man holding a subordinate public office superior to the Court of Session. Mr. Ross held pretty much the same opinion as Mr. Watt, and no resolution was come to, each member of the committee resolving to record his individual opinion.

Questions 68 and 69.

40. In answer to questions 70 and 71, the committee resolved "that the Registrar should have power to refuse his certificate to rules if satisfied that there is anything objectionable in them, and that to aid him in his investigation he should have power to call in the help of an actuary, and that there should be an appeal from the Registrar's decision to the Sheriff of the county in which the head office of the society is situated."

Questions 70 and 71.

41. In answer to questions 72 and 73, "the committee resolved that an annual balance sheet, drawn in prescribed form, should be lodged with some public authority."

Questions 72 and 73.

There was some doubt as to what public authority. One member suggested the accountant in bankruptcy for Scotland, and one or two others the Board of Trade; but though no particular authority was fixed upon, my impression is that the majority of the committee were inclined to name the Registrar of Building Societies, granted that he was able to call in the assistance of an actuary or chartered accountant.

42. In answer to question 74, the committee were unanimously of opinion "that an audit of accounts by a public officer would be a cumbrous and unworkable procedure; that it is quite sufficient to provide that the auditors, one appointed by the members and another by the directors, should be professional accountants or actuaries, provided that the balance sheet is signed by the manager."

Question 74.

The provision that the manager or secretary should sign the balance sheet appears to me a very desirable one, and I am inclined to agree with the committee as to the unworkableness of a public audit.

43. The committee were not able to agree to any resolution on question 75. I think that if the question had been put to a vote, the answer would have been that the present powers of the Registrar are sufficient.

Question 75.

44. In answer to question 76, the committee resolved that "where a society's rules contained a provision for settlement of disputes by arbitration reference should be made to such arbitration, but that when a demand for arbitration had not been complied with within three months, an appeal should lie to the sheriff of the county, his decision to be final."

Question 76.

With regard to the jurisdiction of the sheriff, the committee were of opinion "that all claims for sums under 50*l*. should be heard either by Sheriff or Sheriff-substitute without record in form provided by Small Debts Act for Scotland, and that for sums over 50*l*. claims should be heard in the sheriff's ordinary court with usual appeal from Sheriff-substitute to Sheriff."

I think the committee were in some doubt as to whether three months was not too long a term to grant for settlement of claims by arbitration before giving an appeal to the Sheriff, and I am decidedly of opinion that two months is quite sufficient. Failing any provision for arbitration in the rules of the society, the committee evidently considered the Sheriff as the proper authority to settle disputes.

45. As to question 77, the committee were of opinion that "the winding up of a society should be conducted by its manager and directors under check of the annual audit and recorded balance sheet."

Question 77.

46. As to borrowing powers, the committee resolved that "the borrowing powers should be limited to one half of the balance due to the society on mortgages or invested funds, as shown by the immediately preceding annual balance sheet."

Question 78.

This resolution was arrived at after much discussion, and in considering it you will remember that it is the decision of a class of permanent societies, who, though possessing unlimited powers of borrowing, have used that power very sparingly. In point of fact several members of the committee were against all borrowing powers, except a certain amount of bank credit. As you will see by Table C. of the Appendix, such a limit as that suggested by the committee would practically strangle the

Borrowing powers.

operations of terminating societies conducted in the manner of those represented in my schedule. If you think proper to place any limit on borrowing powers, it is, I imagine, much more likely to take the shape of the amended borrowing rule of the Improved Edinburgh Property Investment Company, which reads as follows:—

“ Provided always, that the total sum to be borrowed shall not at any one time exceed two thirds of the amount for the time heritably secured to the company, including the security or securities for which such advance or advances may be required.”

The question is a very large one, but it has frequently occurred to me, that as borrowing powers are evidently necessary, the settlement of their extent had better be left to the discretion of the public, in order to prevent societies, badly managed in other respects, making a handle of the fact that they have kept within the statutory power of borrowing.

Question 79. 47. In answer to question 79, the committee resolved that “ building societies (or as they preferred to call them, heritable investment societies) should not have any power to purchase land beyond the quantity necessary to erect offices for the society.”

You will remember that the committee represented societies which confine their operations to lending money on houses (or tenements) wholly or partially completed. Some of the country societies, mentioned in the earlier part of my report, would very strongly protest against such a resolution.

Question 80. 48. The committee were generally of opinion that building societies, with regard to the transactions between the societies and their members, should be entirely exempt from stamp duty, and they resolved that “ either there should be an entire exemption, or that all exemption should be swept away.”

The present exemption is a small matter pecuniarily, but it seemed to be the opinion of the committee that this charitable subsidy is considered of value by the labouring classes.

Questions 81 and 82. 49. In answer to questions 81 and 82, the committee were unanimously of opinion that “ building societies should be incorporated with a common seal and perpetual succession, so as to do away with the troublesome luxury of trustees, but that they should be incorporated under an Act specially applicable to building societies.”

Question 83. 50. In answer to question 83, the committee were of opinion that “ the common law is quite sufficient to deal with all misdoings or omissions of building societies or their officers.”

Question 84. 51. In answer to question 84, the committee were strongly of opinion that “ there should be a separate registrar for Scotland, and that the registrar for Scotland should not be subordinate to the registrar for England.”

52. After the committee had discussed all the questions affecting the law of building societies contained in the circulars of inquiry, I asked them the following questions, to which I append their answers.

Building societies should only lend on real property. Should the law provide that money lent by the societies should only be lent on real (heritable) securities? Answer—Yes.*

Pledging bonds. 53. If borrowing powers are limited by law as you suggest, should such limitation extend to societies whose rules already certified contain unlimited powers of borrowing? Answer—Yes.†

54. Should the law permit societies to pledge their bonds, as for example, to banks as security for loans? Answer—Certainly not.‡

55. Would there be any difficulty in adhering to a borrowing power limited by a fixed per centage on the balance due to the society on mortgages? Answer by the managers present—None.§

Statutory form of bond and disposition. 56. To explain the answer of the committee to question 67 of the circular of inquiry, as well as some papers I send herewith, it is necessary to refer to the fact, apparently ignored in Mr. Gourley's bill, that there is a general register of sasines in Scotland, where all bonds and dispositions affecting real property are recorded. Now the position taken by the law agents of the Glasgow building societies is, that there is for Scotland only one statutory form of bond (vide 31 & 32 Vict. c. 101, sec. 118, schedule FF), and that in the present state of the law a form of bond and disposition incorporating the rules of a society is not a proper instrument to be recorded. The committee, therefore, suggest that a form of bond and disposition in the Scotch style, obliging the borrower to ratify and confirm the rules of the society from which he borrows, should be appended to the new Act. Such a form of bond as suggested by Mr. W. B. Aikman, law agent of the Equitable Heritable Investment Society of Glasgow, given in the Appendix (see No. 30).

Form of bond referring to rules of society to be made statutory. 57. To get over their difficulty, or supposed difficulty, it has been the custom of most of the Glasgow societies to qualify the statutory form of bond by a memorandum of agreement explaining how the loan is to be repaid in terms of the rules, and that the borrower is subject to fines, &c. Other societies take a personal bond to pay in terms of the rules, in addition to the statutory bond and disposition. Others take an absolute conveyance (or disposition) of the property and a separate personal bond to pay in terms of the rules, &c.

Object of statutory form suited to rules of building societies. The hitch is that, according to the Glasgow law agents, only the statutory form of bond can be recorded in the general register of sasines and recovered on as against the claim of a second bondsman; if the fines, &c. due to the society exceed three years' interest at five per cent., the society could not recover the difference till the second bond, if any, was discharged.

Bond incorporating rules used in Edinburgh. 58. I have used the expression “ supposed ” difficulty, because as a matter of fact the Standard Society and the Scottish Property Investment Company, the most important societies in Scotland, use a form of bond incorporating the rules of the society (see Appendix, Nos. 28 & 29), and the Improved Edinburgh Property Investment Company, another important society, gives such a form in the schedule of its rules, as well as a short form of discharge. (See also evidence of Mr. John Auld, Appendix, No. 20.)

* Terminating societies might strongly object to this answer. For example, the Scottish Friendly Property Investment Company has lent £,2000 to the Scottish Union Property Investment Company. (See Table B.)

† Such a provision would effectually shut up many young terminating societies.

‡ Some societies by their rules claim a right of pledging their bonds. I think the answer of the committee perfectly right. How, for example, in case of winding up, could a borrowing member (participating in profits and losses of a society) get rid of the bank's claim on his pledged bond?

§ See Mr. T. Y. Strachan's evidence on this point (given in London). Societies should run no risk of overstepping the power if they kept a small margin. I think the above answer “ none ” must be qualified to this extent.

59. The difficulty of a bond and disposition simply referring to the rules of a society as a deed to be recorded would be that the retorded deed would refer to conditions which did not appear on the record. I can see no reason for giving a form of bond in the Act, though there may be very good reasons for settling the doubtful point, if it is doubtful, as to the legality of a bond incorporating the rules of a society. In fact, one good reason is that the memorandum of agreement (or back letter), accompanying the statutory form of bond, has been made by some law agents an expensive instrument to the borrower. Most societies, however, use a very simple form, of which I send you in the Appendix (Nos. 32 and 33) two examples handed in by the law agents of the Scottish Savings and the Equitable Heritable Investment Societies. If the only reason for a change in the law was to enable benefit building societies to recover more than the three years' interest at five per cent. applicable to cash credit bonds, in the shape of fines, I think the present check is a very wholesome one, compelling the societies to "do diligence" before their penalties exceed such a sum.

60. In order to save expense in registration, the Scottish Property Investment Company and some other societies are in the habit of taking an absolute disposition (or conveyance) to the society, accompanied by a personal bond to pay instalments, &c. in accordance with their rules. In the Appendix (No. 31) I send you the form of the personal bond used under these circumstances by the Standard Society.

61. Many complaints have been made to me by managers of societies as well as building companies of the heavy legal expenses incurred by purchasers of small houses, while law agents complain as loudly of the registration dues. You will find in the Appendix (Nos. 16 and 17) important statements on this subject made by Mr. J. D. Smith, secretary to the Standard Society, and Messrs. J. and T. Gardiner, law agents of the Scottish Union Property Investment Companies.

Mr. Smith gives a sample of the cost of conveyance of a house worth 200*l.*, from which it appears that, irrespective of any inventory of prior titles, the cost of the transaction is to the purchaser 4*l.* 13*s.* 2*d.* and to the seller 2*l.* 5*s.* Of the whole sum, amounting to 6*l.* 18*s.* 2*d.*, the Government receives—

	£	s.	d.
For stamp duty	-	-	0 15 0
„ registration dues	-	-	1 11 6
			£2 6 6

Messrs. Gardiner give four examples of the cost to a borrower of advances from their society. They are as follows:—

	£	s.	d.
Advance of £325 cost	-	-	12 1 7
Do. 225 do.	-	-	8 9 2
Do. 145 do.	-	-	8 6 2
Do. 100 do.	-	-	4 3 6

On the advance of 100*l.* the recording dues paid at the register house amounted to 14*l.* 11*s.* 6*d.*, and on the advance of 145*l.* the same dues amounted to 2*l.* 3*s.* 6*d.*

In another example which I got from a law agent not connected with any building society, the cost of conveying a house worth 200*l.* was—

	£	s.	d.
To the purchaser	-	-	4 4 9
Do. seller	-	-	11 3 9
Total cost of conveyance	-	-	£15 8 6

This last example, however, included a complete search for incumbrances for 40 years, an unusual circumstance with properties of small value.

62. Messrs. Smith and Gardiner, as well as many other law agents, complained of the excessive fees charged at the register house both for searches and recording deeds. This is a matter to which the Chancellor of the Exchequer might perhaps turn his attention if he is desirous of facilitating the acquisition of house property by the working classes, and the wisdom of Parliament may some day see fit to reduce the necessity for "searches" from 40 to say half the number of years. All that a Building Societies' Act could do, as far as I can see, would be to some extent to reduce the number and length of the documents upon which lawyers' fees and recording dues are paid. For example, it might be desirable to order the Keeper of sasines to receive a simple receipt endorsed on a bond as a warrant to record the fact of discharge on the margin of the original record.*

63. As from pressure of time I have been obliged to endeavour to give a summary of evidence which is not yet properly arranged, there are, no doubt, many points of interest which I have omitted to draw your attention to. Under the circumstances I can only ask you to be good enough to consider the evidence as "incorporated" in my report.

I have the honour to be, Gentlemen,

Your obedient servant,

GEO. CULLEY,
Assistant Commissioner.

December 21st, 1871.

* See evidence of Mr. John Auld, Appendix No. 20.

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ON

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APPENDIX.

EVIDENCE ON BUILDING SOCIETIES IN SCOTLAND accompanying the REPORT of MR. GEORGE CULLEY,
Assistant Commissioner to the Friendly Societies Commission.

TABLE A.—GIVING THE NAMES, HEAD-QUARTERS, DATE OF ESTABLISHMENT, NUMBER OF MEMBERS, VALUE OF SHARES, and CHARACTER (whether PERMANENT or TERMINATING) of those BENEFIT BUILDING SOCIETIES IN SCOTLAND which have sent in ANSWERS to the Commissioners' Schedule of Questions.

Index Number referred to in other Tables.	Name of Society.	Head-quarters.	Date of Establishment.	Number of Members.	Value of Shares.	Character.
1	4th Edinburgh Friendly Property Investment Company	Edinburgh	1869	163	£ 25	Terminating.
2	Experience Investment Society	Do.	1851	85	50	Permanent.
3	Improved Edinburgh Property Investment Company	Do.	1854	420	25	Do.
4	Scottish Permanent Property Investment Society	Do.	1852	55	25	Do.
5	Scottish Property Investment Company	Do.	1849	2,800	25	Do.
6	Scottish Friendly Property Investment Company	Do.	1861	96	25	Terminating.
7	1st Scottish Union Property Investment Company	Do.	1867	219	25	Do.
8	2nd Do. Do.	Do.	1871	237	25	Do.
9	Standard Investment and Building Society	Do.	1857	15	10	Permanent.
10	Caledonian Savings Investment and Building Society	Glasgow	1865	44	25	Do.
11	Clydesdale Building Society	Do.	1871	83	25	Do.
12	Equitable Heritable Property Investment Society	Do.	1869	113	25	Do.
13	Glasgow and West of Scotland Savings Investment and Building Society.	Do.	1868	103	25	Do.
14	Glasgow Provident Investment Society	Do.	1852	400	25	Do.
15	National Freehold Building Society	Do.	1861	135	25	Do.
16	Scottish Savings Investment and Building Society	Do.	1856	680	25	Do.
17	United Savings Investment and Building Society	Do.	1871	Not stated	25	Do.
18	Western Provident Investment and Building Society	Do.	1870	111	25	Do.
19	Dumfries and Galloway Benefit Building Society	Dumfries	1857	728	30	Do.
20	Grangemouth Building and Investment Society	Grangemouth.	1859	131	25	Do.
21	Hawick Working Men's Building and Investment Society	Hawick	1864	176	5	Do.
22	Inverness Building Association	Inverness	1849	16	25	Terminating.
23	Leith Property Investment Company	Leith	1859	360	25	Permanent.

TABLE B.—Showing the FINANCIAL ARRANGEMENTS of certain SCOTCH BUILDING SOCIETIES, all of them certified by the REGISTRAR OF FRIENDLY SOCIETIES for SCOTLAND.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Number of Society. (See Table A.)	Head-quarters of Society.	Date of Establishment.	Number of Members.	Shares.				Investing Members.		Advances.		Balance to Debt of Society on Loans.			Depositors.			Expense of Management for last Year.	Balance to Credit of Society in Bank, &c.	Whether Society is Permanent or Terminating.	
				Value of Shares.	Monthly Subscription.	Largest Number of Shares held by any one Member.	Average Number of Shares held by each Member.	Amount standing to Credit of Investing Members as Date of last Balance Sheet.	Amount received in Subscriptions during last Financial Year.	Largest Advances made by Society.	Average of Advances.	Balance due to Society as Date of last Report.	On Deposits.	On other Loans.	Total on Loans.	Largest Amount due to any Depositor.	Average Sum due to Depositors.				Smallest Deposit received.
5	Edinburgh	1849	2,200	2s.	2s.*	100	8	129,865	17,991	8,000	250	224,692	86,500	548	87,048	1,500	115	10	620	—	Permanent.
2	Do.	1851	85	5s.	Variable.	96	10	7,043	1,000	3,000	550	10,960	5,138	—	5,138	670	Not stated.	1	96	1,780	Do.
8	Do.	1854	420	2s.	2s.*	120	10	9,609	5,379	3,000	250	38,777	25,676	2,529	28,205	1,250	190	5	155	—	Do.
16	Glasgow	1856	680	2s., 4s., 6s.	2s., 4s., 6s.	138	13	85,342†	12,290	2,250	450	88,395	3,478	—	3,458	950	190	25	455	2,315	Do.
14	Do.	1852	400	2s. 6d.	2s. 6d.	110	12	24,188†	6,358	2,000	630	24,180	1,355	—	1,355	400	225	30	270	2,485	Do.
18	Do.	1868	103	2s., 4s., 6s.	2s., 4s., 6s.	54	15	8,225†	3,385	1,350	470	4,984	845	590	1,485	850	120	5	107	—	Do.
12	Do.	1869	118	2s.	2s.	70	10	1,990†	608	500	300	2,947	—	967	967	—	—	5	159	—	Do.
16	Do.	1861	135	2s.	2s.	80	13	4,813†	1,302	1,300	394	5,194	—	—	—	—	—	—	46	—	Do.
10	Do.	1865	44	2s. 6d.	2s. 6d.	40	13	2,618†	635	800	400	2,846	—	—	—	—	—	—	57	250	Do.
7	Edinburgh	1867	219	2s.*	2s.*	248	19	14,246	8,102	12,200	800	49,829	32,046	3,466	85,512	4,000	400	20	112	—	Terminating.
1	Do.	1869	163	2s.*	2s.*	100	11	5,118	1,828	2,500	478	12,610	1,828	8,535	10,268	200	90	20	60	—	Do.
6	Do.	1861	96	2s.*	2s.*	80	16	20,390	2,091	2,000‡	197	5,373§	—	—	—	—	—	—	69	9,331	Do.
19	Dumfries	1857	728	8s.	See note ¶	52	5	32,406	8,970	1,550	160	22,149	—	—	—	—	—	—	75	866	Permanent.
20	Grangemouth	1859	131	2s.	2s.	30	4	5,788	576	700	140	4,533	1,693	—	1,693	400	80	5	30	—	Do.
21	Hawick	1864	176	1s. 6d.	1s. 6d.	30	3	2,665	23	Not stated.	130	3,488	—	835	835	—	—	—	28	—	Do.

* These societies receive subscriptions fortnightly, 1s. per share.
 † Subscriptions from investing members (non-borrowing) as stated in answers of managers.
 ‡ This society has 2,200 on loan to Scottish Union Property Investment Company.

§ From the balance sheet I should have taken this sum to be 16,037s., instead of 5,373s.
 || Of this sum 131s. is in bank, and 9,300s. cash lent to Scottish Union Property Investment Company.
 ¶ This society receives deposits from 8d. upwards, allowing shares; but makes no advance to a member who has not deposited 13s.

TABLE C.—Showing the extent to which BORROWING POWERS have been used by certain SCOTCH BENEFIT BUILDING SOCIETIES.

Index Number, See Schedule A.	Head-quarters.	Sums due on Loans of all descriptions.	Due to Society on Balance of Mortgages.	Proportion of Loans to Value of Mortgages.	Character of Society, whether Permanent or Terminating.
		£	£		
5	Edinburgh - - -	87,048	224,692	About 2/5ths.	Permanent.
3	Do. - - -	28,205	38,777	About 4/5ths.	Do.
2	Do. - - -	5,138	10,960	About 1/2.	Do.
16	Glasgow - - -	3,458	58,895	About 1/17th.	Do.
14	Do. - - -	1,355	24,180	About 1/18th.	Do.
13	Do. - - -	1,430	4,984	About 1/3d.	Do.
12	Do. - - -	967	2,947	About 1/3d.	Do.
15	Do. - - -	Nil.	5,194	Nil.	Do.
10	Do. - - -	Nil.	2,846	Nil.	Do.
19	Dumfries - - -	Nil.	22,149	Nil.	Do.
21	Hawick - - -	855	8,438	About 1/4th.	Do.
7	Edinburgh - - -	85,512	49,829	About 5/7ths.	Terminating.
8	Do. - - -	14,128	16,119	About 7/8ths.	Do.
1	Do. - - -	10,363	16,200	About 5/8ths.	Do.

TABLE D.—Showing the FINANCIAL ARRANGEMENTS of certain INVESTMENT and BUILDING COMPANIES in SCOTLAND registered under the Companies Act.

Name of Company.	Head-quarters.	Nominal Capital.	Subscribed Capital.	Capital paid up.	Value of Shares.	Proportion of Shares paid up.	Date of Payment.	Due by Company on Loans at date of last Balance Sheet.	Object.
Associated Joiners' Building Company	Glasgow -	£ 10,000	£ 800	£ 800	£ 1	All.	1886	£4,800	To build and sell.
Edinburgh Co-operative Building Company.	Edinburgh	10,000	10,000	10,000	1	All.	1881	7,380	Do.
Glasgow and Suburban Dwellings Company.	Glasgow -	250,000	15,200	10,868	5	2/3ds	1887	13,145	Build and sell and advance.
Glasgow Co-operative Building Company	Do.	20,000	880	Not stated.	1	Not stated.	1887	Not stated.	Build and sell.
Heritable Securities Investment Association.	Edinburgh	500,000	303,500	40,700	10	1/8th.	1883	73,331	Advance on heritable security.
Scottish Heritable Securities Company	Do.	-	-	-	5	1/8th.	-	-	Advance on heritable security.

1. ANSWERS to the COMMISSIONERS' SCHEDULE OF QUESTIONS given by Mr. J. D. Smith, Writer, Secretary to the Standard Property Investment and Building Society of Edinburgh.

The society is a permanent one, and obtained its certificate from the Registrar of Friendly Societies in 1857.

I send copy of the rules, and our last report being for the year 1870, there have been no amendments to the rules.

The shares are 10*l.* each, paid up in seven years at the rate of 2*s.* per month. We have never had occasion to subdivide shares.

Payments in advance of shares are taken. Provision is also made in the rules for shares being realized at the end of a given time on payment of one sum in cash. The rules also provide for a class of shares called permanent; these are of 1*l.* each, but a limited number only of these were issued. They were paid up at once. The directors came to be of opinion that these permanent shares were illegal shares under 6 & 7 Will. 4., and they accordingly cancelled them, and allowed no more to be issued.

There are no entrance fees, and investing members have nothing to pay but their subscriptions.

Investing members receive 5 per cent interest accumulated annually. They have also a prospect of sharing in surplus profits, but there has not yet been any division.

The rules provide that interest at 5 per cent. is to be charged for nonpayment of subscriptions.

At present the largest number of shares held by any member is 10, but members have held as many as 100 shares each. The average at present is about seven.

At 31st December 1870, the amount at credit of investing shares was under 20*l.*, and the amount at the credit of permanent shares, which are referred to above, was about 8*l.*

The amount received in subscriptions on shares during the year 1870 was 95*l.* 12*s.* 11*d.*

By the rules 23 days' notice may be required, but in practice the society has paid withdrawals on demand.

We have no check, and have never found it necessary.

The rules provide for making advances to members only. In a few cases where parties objected to be narrated as shareholders, the advances were made to them as if to non-members.

Advances are made to any person who offers satisfactory security, and according to priority of notice, and as there may be funds. A commission of one half per cent. is charged on the amount advanced. There are no sales of money.

Borrowers pay law charges and cost of surveys. There is no scale of law charges now in operation, though it was provided for in the constitution, and was tried, but would not work. It was proposed to charge one half per cent. on the amount of the loan and 3*l.* 3*s.* for the bond or mortgage. For surveys of existing property there is a fixed charge of 4*s.* per cent., the minimum fee being 5*s.* For property to be built the fee is 7*s.* per cent., which includes inspection of the work. There is also a fee of 2*l.* 2*s.* in this case for examining the plans and reporting.

The surveys are made by a professional surveyor and architect.

The general rate is 5 per cent., but in a few cases of inferior securities the rates are 5½ and 6 per cent. The repayment of the loan and interest are put together and calculated on the same principle as an annuity.

The largest single advance was 10,000*l.* The average amount advanced I should say is about 300*l.*

The sum of 216,932*l.* 8*s.* 6*d.* was due to the society on loans at date of last balance sheet.

Shops, dwelling-houses, halls, works, courtyards, manse, and land, both feu and leasehold, are subjects for advances.

We advance money both for building new houses as well as on houses already built.

Occasionally we advance money on mills and factories, but very seldom. This class of security is not approved of.

The society has advanced largely to builders, on same

conditions as to others. The advance, however, is not given all at once, but in instalments during the progress of the work, which is watched over by the architect.

The directors are generally desirous to secure one third, but very often the margin is much less, sometimes only one tenth.

The principal advances are in Edinburgh, but the operations extend over Scotland.

The monthly payments depend on the number of years for which the advance is granted. I refer to the table herewith produced, which has been approved by an actuary.

The scale generally preferred is the 14 years' scale.

No redemption fees are charged.

No fines are charged, but interest at 5 per cent. on the amount in arrear is often charged, as instalments are frequently in arrear.

Forfeiture in investing shares is incurred when instalments are three months in arrear, but the effect of this is to transfer the amount to the credit of the shareholder as a deposit.

No division of profits has ever been made.

Our borrowing powers are unlimited. We borrow money from our bankers on cash credit accounts, also from the public on deposit receipts, and on pass books like savings banks.

On deposits the sum of £24,491l. 0s. 2d. was due by the society at date of last balance sheet.

Interest is allowed on deposits at from 3 to 4½ per cent. according to the period for which the money is deposited. Three per cent. is the rate on current accounts operated on as in a bank.

The smallest deposit received is one shilling.

At 31st December 1870 the largest amount at the credit of a single depositor was 2,000l. or thereby. I cannot say what the average amount of deposit is.

We are entitled to ask 28 days' notice on withdrawal of deposits at call, but it has never yet been enforced. Deposit receipts are payable when they fall due without notice.

It has never been necessary to check deposits or withdrawals. The simple plan in the one case would be to refuse deposits, and in the other the rules provide that the depositors will be paid out as funds are realized.

We do not take loans in the shape of paid-up shares, unless the question may be covered by the permanent shares issued, which have been already spoken to.

The amount at the credit of permanent shares was 80l. or thereby.

Surplus funds are allowed to be in bank, or placed on deposit receipt with other investment societies.

Our society neither purchases land nor builds houses.

The accounts are audited by the two auditors and a report presented every year, a printed copy being transmitted to each shareholder, borrower, and depositor.

Our securities are not valued as a rule, but about two years since a report was obtained from a neutral party on cases which were suspected to be narrow; but the report on these securities was very satisfactory.

We have nothing but the original rules, and a printed copy can be obtained for sixpence.

The rules provide that amendments will be made in terms of the provisions of 10 Geo. 4, c. 56, sec. 9.

The society has one office only. For the expenses of management see printed balance sheet.

The number of ordinary shareholders is five or thereby, of permanent shareholders 10 or thereby, and of borrowers about 650; and these numbers are diminishing, because we have made no advances for 18 months, having at that time concluded from the decision of the case *Lang v. Reed*, that we held borrowed money to a larger extent than was legitimate.

The borrowers are principally from the middle and working classes. Perhaps 300 of them are in receipt of weekly wages.

The depositors are not considered members. They belong to much the same class. 500 at least, I should say, are working men.

The building societies' law is at present not very satisfactory. I think this arises from the fact that the legislation of 6 & 7 Will. 4, and 10 Geo. 4, does not apply to the position now occupied by these societies. Many decisions also have been pronounced by the courts on points which were not provided for, and could not very well have been foreseen.

I have read Mr. Gourley's bill, and, speaking generally, I believe if it is passed it will be of great service.

I think the registrar's certificate is useful, because it gives confidence to a class of people who are not able to judge of the true merits of a set of rules, but they have

confidence in the certificate of an officer appointed by Government.

At present the registrar's certificate is not conclusive, and I think it would be dangerous to make it so unless arrangements were made for rules being examined with much more care than at present, and an officer of undoubted qualification and well versed in the special subject appointed as registrar.

I think the registrar should have some discretion as to certifying rules, and I think a right of appeal should be given to parties who may disapprove of the registrar's finding. It should be to a superior court of law.

I am inclined to think the law should require certain things to be attended to in auditing and publishing accounts, but it would not be therefore necessary to prescribe a form.

I do not at present see any necessity for an audit by a public officer.

I do not think the registrar's powers should be enlarged.

I do not think the registrar should be arbiter. A court of equity I think is the best tribunal. It is safer and quicker than arbitration, and more binding upon the parties, and above all suspicion.

Winding up should be conducted by the court in the ordinary manner.

I think building societies should be empowered to borrow money. The limit perhaps should not exceed two thirds, or at most three fourths of the whole amount invested.

Power to purchase land involves too much speculation. I think the stamp duties exemption may be left as at present, but it is not of much importance since the limit was reduced to transactions of 500l.

I think incorporation would be good.

The business of building societies could be carried on under the Companies Acts as well, if not better, than under the Building Societies Acts.

I think there should be a separate registrar for Scotland.

2. EVIDENCE OF Mr. Hugh Cameron, Manager of the Scottish Property Investment Company, Edinburgh.

The society commenced as a terminating society in 1849, and adopted the permanent principle in 1853.

It is certified under 6 & 7 Will. 4, c. 32.

Our shares are 25l., payable by fortnightly subscriptions of 1s. each. The subdivision of shares into 2s., and 1s. shares is allowed to borrowers only.

Paid-up shares are not granted, and repayment of shares beyond one year's subscription is not encouraged; a lower rate of interest is allowed on prepayments exceeding one year's subscriptions.

A fee of 1s. per share is charged on shares withdrawn before completion.

Five per cent. compound interest is added to investing members' accounts, at 31st January yearly, and a bonus is given every five years.

The fine for nonpayment of subscriptions is 1d. per share. One month's grace is allowed.

One hundred is the largest number of shares held by any one member. Eight is about the average per member.

The amount standing to the credit of investing members at the date of our last balance sheet was 129,865l. 5s. 11d.; amount received in subscriptions during last financial year, 17,991l. 8s. 7d.

No notice is required for withdrawal of shares. The directors could check withdrawals if necessary, but no check has been necessary.

We make advances to members only. A non-member requiring a loan constitutes himself a member by paying one month's subscriptions on the shares to be advanced.

No premium or commission is charged on advances.

Borrowers pay law charges, and there is no fixed scale. Surveyors' fees are fixed by rule 27, and paid by borrower; lowest fee 5s.

Surveys are made by a professional surveyor.

Fire insurance premium is the only other charge to borrowers. They are repaid income tax on the interest paid to the company.

The rate of interest charged to borrowers is 5 per cent. on the amount due at the commencement of each year. The 14 years' class pay, therefore, about 5½, the six year class 5¼, and the four year class 5¼ per cent.

Our largest advance has been 8,000l. The average is about 250l.

The balance due to the company on advances at date of our last balance sheet was 224,692*l*.

We advance only on heritable properties for the purpose of building, or on houses already built.

We have made advances to a small extent on mills and factories, always keeping a wide margin.

The following is our rule as to advances to builders:—

“ Previous to any advance being made to enable a shareholder borrowing to build, he shall lodge the plans, specifications, and estimates for the proposed erections with the manager, that the surveyor for the company may examine the same and report his opinion to the directors. If the directors shall approve of the plans, specifications, and estimates, and shall agree to make an advance to enable the shareholder to complete the erection, the shareholder shall thereupon either deposit with the company a sum not less than one fifth of the estimated cost of finishing the whole buildings proposed to be erected, or, if the buildings have been already commenced, he shall satisfy the directors by the production of the contractor's receipt or otherwise that he has advantageously expended a corresponding amount on the buildings in progress.

“ The shareholder becoming entitled to such advance shall execute such conveyance, mortgage, or other deed to the company, as the law agent may require, and shall lodge the same, with all the title deeds relating thereto, with the company.

“ The directors shall thereafter, out of the advance agreed to be given, and out of the deposit so made by the shareholder—if such deposit shall have been made—pay to such shareholder from time to time, as the buildings proceed, such sums as the surveyor shall certify may be safely advanced. The deposit so made shall bear interest while in the hands of the company at such rates as the directors may from time to time fix; and interest shall be charged upon the sums advanced out of the company's funds until the erections are finished, and the advance is consolidated at such rates as the directors may from time to time fix.

“ Whenever the amount of the advance fixed by the directors shall have been made, the borrower shall be in the position of a holder of advanced shares corresponding to the amount so advanced.

“ The directors shall have power to appoint a competent person to inspect the work during its progress, at the expense of the shareholder.

“ Should any shareholder, after receiving an advance, or an instalment thereof, leave the building unfinished or not proceeded with for one calendar month, unless upon satisfactory cause shown, the directors (having first given fourteen days' notice to the shareholder of their intention, through the post office, addressed to him, or by leaving such notice either with him or at his last known place of abode, or on the premises) shall be at liberty to enter upon and take actual possession of such building and premises, and to sell the same either by public auction or private contract, or to employ persons to provide the requisite materials and labour, and to finish and complete the same at the cost of such shareholder, and to advance the sums requisite for this purpose out of the funds of the company, and the money so expended shall form a charge upon the property and against the shareholder.”

Our advances extend to any part of Scotland, but we have few transactions north of Aberdeen.

The following table shows the annual, monthly, and fortnightly repayments for a loan of 100*l*.:—

No. of Years for which the Loan is taken.	Annual Payments.			Monthly Instalments.	Fortnightly Instalments.
	Paid by Fortnightly or Monthly Instalments.	Paid Half-yearly in advance.	Paid Yearly in advance.		
4	£ s. d. 28 4 0	£ s. d. 27 15 6	£ s. d. 27 15 0	£ s. d. 2 7 0	£ s. d. 1 1 2½
6	19 14 0	19 10 0	19 6 0	1 15 10	0 15 2
8	15 10 0	15 7 0	15 4 0	1 5 10	0 11 11
10	12 19 0	12 16 6	12 14 0	1 1 7	0 9 11½
12	11 6 0	11 3 9	11 1 6	0 16 10	0 8 2½
14	10 2 0	10 0 0	9 15 0	0 16 10	0 7 2½

14 years is our longest term for advances. The fee charged on redemption is 1*s*. per share.

Borrowing members are fined one twelfth part of their fortnightly subscription after three fortnights are due.

About 10 per cent. of borrowing members incur fines. Investing members rarely incur fines. The fines are generally incurred from year to year by the same persons.

Forfeiture is rarely incurred. Our rule is as follows:—

“ Any shareholder not having received an advance of money in manner hereafter specified continuing to neglect the payment of his subscriptions until the fines incurred thereby shall equal all the subscriptions actually paid by him, shall thereupon cease to be a shareholder, and shall forfeit all his interest in the company.”

We have no provision for remitting fines and forfeitures. Borrowing members do not share in profits.

Our borrowing powers are limited to two thirds of the amount due on mortgages.

We have a cash credit of 40,000*l*. from our bankers, and receive deposits.

At our last balance of accounts 548*l*. was due to our bankers, and 86,500*l*. to depositors.

We give from three to five per cent. interest on deposits, regulated by the bank rate and our own requirements.

On a first payment we do not receive deposits of less than 10*l*., which may afterwards be increased, by 2*l*. at a time.

1,500*l*. is the largest sum to the credit of any one depositor. The average of deposits is about 115*l*.

Deposits at short notice are paid on demand. We allow one half per cent. more interest for deposits at six months' notice.

We have not found it necessary to check either deposits or the withdrawal of deposits.

We do not take loans in the shape of paid-up shares when shares are completed the owners cease to be shareholders, and the money can only remain on deposit.

Our surplus funds are invested in the securities of the company.

The company does not purchase land.

We advance to builders, as explained before, but the company does not build.

We have no connexion with any land society or company.

We do not borrow from other building societies.

We publish an annual report signed by our chairman, and a balance sheet signed by our auditors (see last report attached).

Repay-
ments.

Fines and
forfeitures.

Borrowing
powers,
loans, and
deposits.

Surplus
funds, pur-
chase of
land, &c.

Accounts
and valua-
tions.

TWENTY-SECOND ANNUAL REPORT by the DIRECTORS to the SHAREHOLDERS of the SCOTTISH PROPERTY INVESTMENT COMPANY.

The directors beg to refer to the financial statement by the auditors, printed as an Appendix to this Report.

It will be remarked that the amount advanced on property is 68,477*l*., as against 93,825*l*. in the previous year, being a decrease of 25,148*l*. This is to be accounted for partly by the unsettled state of the property market, but chiefly by an interruption to the business in the process of changing the account of the company from the Union Bank to the Bank of Scotland.

The other departments of finance show considerable increase.

The amount held on deposit is 85,926*l*. 14*s*. 6*d*., against 77,019*l*. 13*s*. 1*d*.

The amount added to the contingent fund is 2,364*l*. 9*s*. 4*d*., against 2,318*l*. 12*s*. 10*d*.

The amount of this fund for the four years ending 31st January last is 8,572*l*. 0*s*. 11*d*., against 2,940*l*. 19*s*. 3*d*., which was accumulated during the first four years of the last quinquennial period.

The directors are glad to be able to report that the securities held by the company are in a most satisfactory position.

The applications for loans for next Whitunday transactions are not so numerous this year as in several years past; but it is hoped that, as the season advances, and with the prospect of a considerable improvement in trade, this important branch of the company's business will at least maintain its former position.

Edinburgh, 10th April 1871.

RO. PATTERSON,
Chairman

AUDITORS' REPORT.

BRANCH I.

Abstract of Income and Expenditure for the Year 1870-71.

CHARGE.			DISCHARGE.		
	£	s. d.		£	s. d.
To cash in treasurer's hands, 31st January 1870	464	0 6½	By amount due bank, 31st January 1870	14,852	1 10
„ amount due bank, 31st January 1871	548	2 4	„ advances on property	68,477	10 0
„ subscriptions on shares	17,991	8 7	„ interest paid to bank	779	9 10
„ repayments on loans	83,399	6 6	„ interest paid on deposits	2,566	4 1
„ sums received on deposit	56,950	11 10	„ discounts on prepayments	71	10 8½
„ transfer fee	0	5 0	„ subscriptions returned	24,486	2 0
„ fines	491	12 9	„ deposits repaid	48,043	10 6
„ insurance premiums	339	4 8	„ insurance premiums	200	15 11
„ surveys	189	0 3	„ surveys	310	14 6
„ rules and pass-books	3	17 6	„ property tax repaid	81	13 0
„ outlay on properties repaid	79	9 0½	„ management	630	10 2½
„ interest on instalments of loans	540	19 11	„ outlay on properties for repairs, fees, &c.	454	11 0½
			„ cash in treasurer's hands, 31st January 1871	403	5 1½
	£160,847	18 9		£160,847	18 9

BRANCH II.

Abstract of Assets and Liabilities of the Company.

LIABILITIES.			ASSETS.		
	£	s. d.		£	s. d.
To amount due on 14,480 unadvanced shares, with interest to 31st January 1871	129,865	5 11	By present value of future payments on 11,468½ advanced shares	221,392	16 8
„ amount due to bank at 31st January 1871	548	2 4	„ value of property, 102 South Bridge, including furniture	600	0 0
„ interest due on deposits	85,926	14 5	„ arrears due by advanced shareholders	5,834	17 1
„ repayments paid in advance	2,535	8 2½	„ cash in treasurer's hands	403	5 1½
„ accounts outstanding	200	0 0			
„ contingent fund at 31st January 1870	6,207	11 7			
„ surplus profits for year ending 31st January 1871	2,364	9 4			
	£228,230	18 5½		£228,230	18 5½

BRANCH III.

Abstract of Shares.

To advanced shares at 31st January 1870	11,454½		By advanced shares redeemed	2,725½	
„ unadvanced do. do.	15,085		„ unadvanced shares withdrawn or cancelled	2,674	5,399½
	26,539½		„ advanced shares now held	11,468½	
„ shares taken out during year ending 31st January 1871	4,808½		„ unadvanced shares now held	14,480	25,948½
	£31,347½			£31,347½	

BRANCH IV.

Contingent Fund.

Undivided profits at 31st January 1870	6,207	11 7
Surplus profits for year ending 31st January 1871	2,364	9 4
	£8,572	0 11

PARTICULARS OF MANAGEMENT.

	£	s. d.
Manager's salary	250	0 0
Secretary's do.	105	0 0
Clerk's do.	7	10 0
Directors' fees	60	0 0
Auditors' do.	40	0 0
Printing and stationery	35	8 9
Advertising	71	16 2
Postages	8	9 3
Taxes for office	5	14 2½
Cleaning, coals, gas, &c.	36	11 10
	£620	10 2½

We, the auditors of the Scottish Property Investment Company, hereby certify that we have made a minute examination of the various books and vouchers of the company, for the year ending 31st January 1871, and have found the same correct; the various items have been correctly transferred to the vidimus, of which the foregoing is a correct abstract.

Edinburgh, 5th April 1871.

D. E. SUTELL.
ROBERT DUN.

All securities are valued before an advance is granted by a professional surveyor and architect.

We have no premiums for advances.

Our rules are sold at 6d. each to all who want them.

The following is our rule for alterations and amendments of rules:—

"In conformity with the Act 10 Geo. 4. cap. 56, sec. 9, none of these rules shall be altered, nor shall any new rule be made unless at a general meeting of the company, convened by public notice, signed by the secretary, in pursuance of a requisition for that purpose by seven or more of the shareholders; and such alterations shall only be made with the concurrence and approbation of three fourths of the shareholders present at such meeting; and they must all be sanctioned and certified by the Registrar of Friendly Societies in Scotland."

We rent only one office, 102, South Bridge, Edinburgh.

Our management expenses, exclusive of office rent, are about 620*l.* per annum.

We have about 2,800 members, and our members are increasing.

Our members are of all professions, and about 30 per cent. are females. I believe not over 25 per cent. are in receipt of weekly wages.

Our depositors are a mixed class; not many of them are working men.

Our working-men members have been increasing during the last two years.

The lowest wage earned by our working-men members is probably about 18*s.* a week, and the average about 25*s.*

More loans have been made to working-men members during the last three years than during the preceding 18 years of the company's existence.

The average value of a working-man's house in the localities where we transact business would be about 150*l.*, in some instances it might be as low as 70*l.*

The laws affecting building societies should be consolidated and amended.

I have read Mr. Gourley's bill, and, with a few exceptions, I approve of it. Actions in court should not be raised or defended by trustees, but by some officer of the society, say the treasurer. The borrowing powers of societies should be limited; I hold this opinion strongly.

I consider the registrar's certificate useful to societies, and I think his certificate should be conclusive as to the legality of a society; I also think he should have some discretion as to certifying rules, but that there should be a right of appeal from his decision.

An audited statement of accounts should be annually sent to the registrar, or some other public officer, but I do not think that any particular form is necessary, nor that the audit should be conducted by a public officer.

The rules should provide for the settlement of disputes.

The winding up of societies should not be conducted by the registrar.

Borrowing powers should be limited by law to two thirds of the amount due to the society on loans, exclusive of future interest.

In Scotland societies buying or feuing land are entirely trading speculations, and should not have the benefit of the proposed Building Societies Act; the Companies Act is quite suitable for them.

I think the exemptions from stamp duties should be continued. This is the most valuable privilege of the Acts.

I do not think building societies should be incorporated. The business of building societies could not be so cheaply carried on under the Companies Act. The objects of these societies are so laudable that they should be conceded privileges not due to ordinary traders.

No special legislation is necessary with regard to the misdoings or omissions of building societies, or their officers.

I think there should be separate registrars for England, Scotland, and Ireland.

3. LETTER addressed to the ASSISTANT COMMISSIONER by Mr. Geo. Watson, Law Agent to the Fourth Edinburgh Property Investment Company, &c.

Sir, Edinburgh, 22nd November 1871.

Mr. Robert Forrest, 17, Queen Street, secretary and treasurer of the Fourth Edinburgh Friendly Property Investment Company, has submitted to me, as law agent of that company, your queries on the subject of benefit building societies, and his answers, and has asked me to supplement these on questions falling to be answered by me.

I may premise that I have been a shareholder in, and have taken an active part in the management of the follow-

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ing investment companies, as auditor, director, and law agent.

1. The New Friendly Property Investment Company, the twelfth and final annual report of which was issued in August 1867.

2. The Scottish Friendly Property Investment Company, from its commencement in January 1861.

3. The Fourth Edinburgh Friendly Property Investment Company, from its commencement in March 1869.

I am also a shareholder in, but take no part in the management of—

4. The Scottish Union Property Investment Company, from its commencement in April 1867.

In the three first societies, and I believe also in the Union, the directors never allowed themselves to be styled building societies.

The principle on which they have always acted, except in one solitary case to be afterwards noticed, is embodied in the second of the rules of the Fourth E. F. P. I. Co., which are sent herewith, and which is as follows:—

"The object of the company shall be to enable its members, by fortnightly subscriptions, to raise a fund, in shares of 25*l.* each, by which every member may be provided with the capital necessary to enable him to purchase heritable property on the most easy and advantageous terms, in virtue of the powers contained in the Act 6 & 7 Will. 4., cap. 32. For this purpose every shareholder shall be entitled to borrow from said fund, in conformity with these rules, 25*l.* for every share for which he or she subscribes."

This rule has been rigidly adhered to except in one case, where an advance was made on a property partly built, and the amount disbursed in instalments as the work proceeded towards completion.

In dealing, therefore, with these societies in Scotland, I think it will be necessary to have regard to such as are investment companies based on the above principle, and building societies who advance money to builders and others, which must be so far of a speculative nature.

In forming these investment companies the first thing done is to call a public meeting by advertisement, when the names of parties agreeing to take shares are taken down. Interim directors are then appointed, with directions to prepare rules for the management of the company. These rules are submitted to a subsequent general meeting, and, after being discussed and adjusted, are submitted to the registrar for approval.

Thereafter each shareholder commences on a certain day to pay his subscriptions of 1*s.* per share on each share held by him, and to continue to pay the subscriptions each fortnight, which payments are entered in his pass book and in the company's book. Two of the directors and the treasurer attend on each collection night, and the cash, after being balanced, is lodged in bank each evening. Shareholders may hold either half or quarter shares, but this is very seldom the case.

Each new member who enters after the first subscription night must pay the back subscriptions from the first subscription night of the society.

The entry money on each share at the commencement for the first year is 1*s.*, to meet expenses. After a profit has been declared the entry money is raised, so far as possible, to make all parties equal.

The services of the directors are given gratuitously. The only paid official is the secretary and treasurer, who receives 50*s.* per annum. Three auditors 10*s.* a year each, room rent 4*l.* 4*s.* In short, the whole expense of management is about 60*l.* per annum, to meet which the shareholders assess themselves in payment of 6d. per share per annum.

The whole revenues are thus accumulated every fortnight, with the view, as soon as possible, of having funds to pay each shareholder 25*l.* per share. An annual report is published each year, showing the progress made towards this end.

Shareholders falling in arrear of their subscriptions are charged fines according to a schedule, of which each has a copy, and which will be found annexed to a copy of the rules.

The profits are therefore added to each share annually. Members withdrawing from the company before it has been two years in existence receive no share of profit; after two years one half; after seven years three fourths; but he may sell or transfer his shares at the best price he can get for them, on payment of a transfer fee of 6d. per share. There is no check on the withdrawal or sale, though three months' notice is stipulated for.

If payments of subscriptions are made in advance for six or twelve months, discount is allowed at a certain fixed rate.

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From the nature of these companies, therefore, there are no large shareholders—100 shares will be the outside—and the average about 16 shares.

I think the above answers the first 16 queries of your schedule, in so far as applicable to these investment companies.

There are very few entrants after the first or second year by the class of shareholders who form these companies. They are principally tradesmen and traders, and the payment of back subscriptions on entry, and an entrance fee corresponding to the profit realized, is a bar to new entrants, more especially where there are building societies where parties can enter at any time.

Advances.

These are only made to shareholders. When a shareholder wishes an advance he fills up an application, of which a form is sent herewith. This is laid before the surveyor of the company, who is a practical builder, and who prepares a written report. These are laid before the directors, who decide what sum shall be advanced. If the society has been in existence for some time, they, looking to the character of the shareholder, and the sums of subscriptions already paid by him, sometimes advance the full amount in the surveyor's valuation. The surveyor receives a small fee fixed by the rules for his trouble. A premium is charged on the advance, in lieu of which the shareholder has a guarantee that no change will take place in the rate of interest payable by him. After the advance is paid the shareholder pays his interest on the advanced shares at the rate of 1s. per share along with his subscriptions. Arrears of interest are charged with the same rate of fines as subscriptions. The rate of interest thus charged so as to make it easy of collection is 5, per cent.

If the shareholder is purchasing the property he pays one half of the expense of the conveyance, which generally amounts to about three fourths per cent. on the advance, the seller paying the other half. If the advance is on property already held by him, he pays the whole expense, or double the above.

The largest advance made by the Fourth Edinburgh Friendly Provident Investment Company is 2,500l., or the value of 100 shares. These advances range downwards to 100l. on the value of four shares, the smallest. A shareholder who has received an advance exercises all the acts of ownership of the property on which it is made, so long as his subscriptions and interest are regularly paid. When these fall in arrear for the period of six months the directors are entitled by the rules to enter on possession, to sell the property, pay the sum due to the company, and hand over any balance to the shareholder. A shareholder can redeem his property at any time without payment of any fee, except the expense of reconveyance to him by the trustees, which is very trifling.

It will thus be seen that these companies advance to none but their own shareholders for the legitimate purposes which the directors think were contemplated by the Act.

There is no provision in the rules for remitting the fines. In companies like these the fines are calculated so as, as far as possible, to put the defaulters on an equality with those who pay regularly, as all share alike in the profits.

The shares of non-borrowing members are forfeited when the arrears and fines equal the subscriptions paid. This very rarely occurs.

I think what has been stated fully answers the queries so far as they apply, up to and including 37.

Borrowing Powers.

The directors cannot borrow money, except authorised by a general meeting, see Rule 22.

The company receive loans of 20l. and upwards on deposit receipt, repayable on short notice, and at a fixed rate of interest. The company's bankers have no hesitation in advancing in the early stages of the company such sums as are required to meet the demands of borrowing members.

After these companies have been four or five years in operation very few of the members take advances on heritable security. This is provided for to some extent by Rule VI. sect. 6, which states that when money accumulates for which there is no demand for heritable investment, each non-borrowing member may receive his actual subscriptions on his promissory note, paying the same rate of interest thereon as those members who have borrowed on heritable security. This is taken advantage of to a very limited extent.

The result is that at the end of seven years the shareholders virtually resolve themselves into two sects or parties, the members who have borrowed, and those who

are merely depositors. Hence in the latter years of the society, as is the case at present with the Scottish Friendly Company, the accumulations amount to about 12,000l., and are increasing at the rate of about 100l. per fortnight. These funds are lent to other younger societies at a rate of interest and for a period (not longer than the expected duration of the society) agreed on. Except as lenders or borrowers these societies have no connexion with any others; do not invest in land, nor build houses, and neither lend nor borrow money, except in the manner already stated.

Queries 53, 54, 55. The accounts are audited half yearly. The securities do not require to be valued, as each fortnightly payment by borrowing members increases the company's security. Premiums, interest, fines, and all revenues go towards the object of bringing the shares as soon as possible to 25l.

Queries 56, 57, and 58. Each member is provided with a copy of the rules. Rule XXVI. provides for any alteration. The expenses as already stated amount to about 60l. per annum, which is met by each shareholder paying annually 6d. per share extra for expenses.

Queries 59 to 63. These societies get as it were consolidated after the third or fourth year, and from deaths of shareholders, or other causes, rather diminish in numbers towards the close. The answers to the other queries have been already given in substance.

The Law.

I may state generally that the law as it now stands has been found to work well in regard to the societies based on the principles of those with which I have been alone connected.

I cannot offer any opinion as to the law in regard to building societies.

It is, however, apparent that these have given what I consider an undue influence to building speculation. Men of straw who were never heard of in the trade suddenly become builders on a large scale, and after a time disappear as suddenly. This state of matters can only lead in the end to one result. Building in Edinburgh has already in my opinion been greatly overdone through these societies; and the legislature in the interests of the community and the companies themselves should interfere to some extent with their operations.

68 and 69. The present system has been found to work well in the societies with which I am and have been connected, after the rules are certified by the registrar. It would be dangerous to raise any doubt as to the legality of rules so certified, more especially in the cases like ours, where the shareholders have the power of altering the rules when this is considered necessary.

70. I am decidedly of opinion that he should have a discretionary power in passing any rules which he thinks objectionable, though not, strictly illegal, i.e. where undue powers are proposed to managers and directors.

71. It is not desirable to have complicated or divided jurisdiction as to the rules, and I think the registrar's decision should be final. The rules of our societies are, as already stated, approved of by the shareholders before being submitted to the registrar. It is different, however, with permanent building societies. The rules are passed it may be years ago. They receive new shareholders every day, and they must abide by these rules, otherwise they are not admitted. It may be advantageous to give a majority of shareholders power at any time to bring the rules under the reconsideration of the registrar.

72. It might be of advantage that the annual reports of each society should be filed in the registrar's office for inspection of the public free of charge.

73. The annual reports might be filed as already suggested.

74. It is desirable that the registrar should have power on the requisition of a certain number of shareholders to appoint a competent actuary to audit the accounts of any of these building societies. The expense to be paid out of the several revenues. The mode of audit adopted in the companies is that the shareholders appoint two auditors annually, and the directors one, and this has been found a satisfactory mode of audit.

75. I do not think the registrar's powers should be enlarged further than as already suggested.

76. Certainly the registrar, who must necessarily have a knowledge of matters connected with the societies, would make the best arbitrator.

77. Yes, with the aid of an actuary paid out of the funds of the company coming under the operation.

78. I am clearly of opinion that the borrowing powers of all companies should be limited, say to the extent of one half of the ultimate value of the shares held by members.

79. I am not perhaps competent to give an opinion on this query, as I have always held strong views that purchase of land, *building* property, or advancing money to builders, is not the legitimate business of these societies.

80. The present exemptions from stamp duty only applies to transactions between the company and the shareholder; thus, if a shareholder makes a purchase from a third party not of the company, duty is paid on the transfer to the trustees of the company; when the trustees re-convey to the shareholder no duty is payable. I think the exemption from duty should be continued on transactions between shareholders of similar societies, and between shareholders and the trustees.

84. I am decidedly of opinion that a registrar for Scotland is necessary. Our land rights are different from those in England, having no leasehold or copyhold, and I have reason to believe that the mode in which the societies are conducted differ very materially in the two countries, and besides, if rules had to be passed in London considerable additional expense would be incurred in the formation of companies.

I have ventured to trouble you with this long, and, I fear, digressive statement.

My principal object has been to point out that in any legislation which may follow in the Commissioners' report, regard should in justice be had, and a distinction should be made between investment companies on the terminating principle on the one hand, and permanent and building societies on the other.

It seems to me impossible that these last societies can offer to borrowers, or shareholders who are borrowers, the same advantages as societies on the terminating principle. The former have expensive offices always open during the usual business hours, with a staff of highly-paid officials. The latter have as already said no expenses which fall on the profits, all of which are accumulated every fortnight for the general behoof, and having the general end in view.

I have, &c.

Geo. WATSON, solicitor,
Fourth Edinburgh Friendly Property
Investment Company.
Geo. Culley, Esq.
Assistant Commissioner,
Friendly Societies Commission

4. EXTRACTS from a RETURN made by Mr. Robt. Forrest, Treasurer and Secretary for the *Scottish Friendly Property Investment Company*, a terminating society.

Shares Entrance fee at first 1s. per share, increased as profits are realized. Every member pays 6d. per share yearly towards management expenses.

Profits are accumulated and added to the value of shares till the 25l. share is realized.

Three months' notice required on withdrawal of shares, but no check necessary.

Advances. Variable premiums, see Rule V., as follows:—

"All the disposable funds which the company may have at the termination of any quarter shall, on such quarter night, and at any other meeting to be specially called for the purpose, at eight o'clock precisely, be submitted to competition among the members, and shall be allotted to the highest bidder, who shall be entitled to receive the whole, or such part thereof as he may require. The biddings shall be made to the chairman for the time being, and shall be commenced by any shareholder offering to take the money at the full value of 25l. per share, or at such premium per share as shall be fixed by the meeting then convened; and, should there be no other bidder, it shall be allotted to him or her. Should there, however, be more bidders, they shall offer a premium for the right to an advance, beginning with such sum as the meeting shall fix, and advancing at not less than 1s. per share."

Borrowers pay usual law charges. Surveyor's fee is fixed. Interest charged to borrowers 5½ per cent.

No advances to builders.

Repay- 1s. per share subscription, and 1s. per share interest

ments. fortnightly. All members pay alike.

Fines and Fines on interest and subscriptions the same. Always

and forfeitures. exacted. Only one forfeiture has occurred since society was commenced.

Borrowers and members share alike in profits.

Deposits of all sums received when required. Not now required.

Surplus Have lent 9,200l. to another terminating society at 4½

funds. per cent.

Members. Very few members of working class.

(The following passage occurs in the last annual report of this society:—

"Assuming that the transactions of the company will continue and recur as at present, it appears that the ter-

mination may be expected to be reached about the end of the year 1873.

"The directors, however, have reason to believe that a feeling exists among the members to have the termination hastened.

"In former societies this has been done by making double payments of subscription during the latter period of the society. It is thought if this method were adopted, and double payments of subscriptions begun on 19th June next, that the termination may arrive about March 1873."

The society began its operations in 1861.—G. C.)

5. EXTRACTS from ANSWERS given by Mr. James Paterson, Treasurer and Secretary to the *1st and 2nd Scottish Union Property Investment Companies*, terminating societies.

Payments are received in advance; there are no paid-up shares.

The original entrance fee is 6d. per share, but it is altered every six months and made to correspond with the profit realized, so that anyone paying in the increased entrance fee and back payments is in the same position as an original entrant.

We have only one rate of interest, viz., 5½th per cent. Advances. Our company by Rule 6 guarantees that this rate will be maintained during the existence of the loan.

Advances chiefly on houses already built.

No fixed rule as to margin.

Borrowers pay 1s. per share per fortnight in respect of interest, and same sum as subscription for share.

No redemption fees.

Fines and forfeitures seldom incurred, but fines rigidly exacted.

Borrowers share in profits to the same extent as investors.

All deposits at call.

Have no surplus funds at present, but the practice of terminating societies is to lodge their surplus funds as deposits with another society of same kind which is in an earlier stage of existence.

Neither buy land nor build.

An annual report is printed and circulated with a balance sheet, audited by auditors appointed by shareholders and one by directors.

Premiums pass into the profit fund.

Members belong to merchant, middle, and working classes.

Depositors principally of merchant class.

Average value of working man's house as given by Mr. Paterson, 200l.

Law agents of companies agree with evidence given before the Commissioners by Mr. John Auld, W.S. (see Edinburgh evidence for Sept. 21st, 1871.—G. C.)

An appeal should lie from the registrar to the sheriff of the county.

Borrowing powers should be unlimited. Practically our limit is the demand for advances. (Advances only to shareholders.—G. C.)

Exemption from stamps should be maintained and extended.

Building societies should not be incorporated.

There ought to be an independent registrar for Scotland with extended powers.

6. EXTRACTS from a RETURN made by Mr. A. Hay, Manager of the *Improved Edinburgh Property Investment Company*.

Society commenced in 1847, brought to a termination in 1853, and remodelled in 1854.

"Each section terminates in 13½ years, but sections being opened each year it is practically a permanent society."

Shares, 25l.; subscriptions, 1s. per fortnight; half shares held in a few instances.

Four per cent. discount allowed on advanced payments for one year or six months. Paid-up shares not granted.

Sixpence per share entry money, and 6d. for copy of rules. No other fee on entrance.

Five per cent. interest guaranteed on leaving society, and share of any surplus at termination of section.

Fines, 1d. per share per fortnight after six weeks arrear.

Advances made to members only. No premiums.

Five per cent. interest is the nominal rate charged to borrowers, subject to increase if bank rate charged to society rises above that rate.

No advances on mills or factories, and not to any extent to builders.

Fifteen per cent. margin required.

Borrowers pay 2s. per month for principal and interest. Only one scale of repayment.

Borrowers and investors pay same fine. 63*l.* was paid for fines last year. Profits from this source are participated in by all members.

Forfeiture incurred after nine months' arrear. Directors may sell by auction. Balance going to member rarely occurs.

Members in arrear may transfer to later sections, thereby getting free from fines and arrears due at date of transfer.

Borrowers share in profits in same way as investing members.

Borrowing power formerly unlimited. Since decision in *Laing v. Reed* reduced to two thirds of sum heritably secured to society, including subject for which advance is required.

3½ and 4 per cent. allowed on deposit.

No paid-up shares.

Do not purchase land or build houses, or deal with any other society.

Members chiefly tradesmen and shopkeepers. Many widows amongst depositors.

Average value of working man's house in locality, 170*l.* to 180*l.*; some as low as 70*l.*

Have no complaint to make of the present law.

Registrar's certificate should be conclusive of legality of rules if he was a competent officer.

Appeals from the registrar should be to the sheriff in Scotland.

A uniform system of auditing and publishing building societies' accounts would be desirable. No public officer is needed.

The registrar might act as umpire in case of disputes.

[NOTE.—The rules of this society contain a form of bond and disposition, binding the borrower to "fulfil and implement" the obligations incumbent upon him under the rules of the society. They also contain a form of discharge to be endorsed on the mortgage deed.—G. C.]

7. EXTRACTS from ANSWERS to the Commissioners' circular questions given by Messrs. G. Macgregor and W. T. Ross; Manager and Law Agent of Scottish Savings Investment and Building Society of Glasgow.

The society was established on the permanent principle in 1856, and is registered under 6 & 7 Will. 4. c. 32.

Shares are 25*l.* each, payable by monthly instalments of 2s; 4s., and 6s., at the option of members. There is no subdivision.

Advanced payments are taken, and discount at 4 per cent. allowed. Paid-up shares are not granted.

Entrance fee, 1s. per share.

Interest allowed to investing members varies according to the society's earnings each year. The profit allocated for each of the last five years has been at the rate of 6 per

cent. on the total amount at each member's credit, that is, on the subscriptions paid by members, and also on the profit added thereto.

The fine for nonpayment of share is 1*d.* per single share (or subscription) of 2s. per month.

One month's notice of withdrawal of shares is required by rules, but not enforced; urgent cases paid on demand. No check on withdrawal of shares is necessary.

The society makes advances to members only.

One half of the advances are made according to priority of application without premium; one half are disposed of by sale, no premium being fixed. This year, as far as it has gone, the premium has been about 6s. 9*d.* per share.

Law charges and cost of surveys are paid by borrowers. Local professional law fees, less one third, are charged, and surveys at the rate of 2s. per 100*l.*

Surveys are made by professional surveyor, and also by a committee of directors.

Neither commission nor fees of any description whatever are charged to members over and above interest, premium, law and survey charges.

The rate of interest charged to borrowers is 5 per cent. calculated in the usual manner. For instance, 100*l.* charged 5*l.* per annum, 1/12th of which is paid to the society monthly. All borrowers charged alike. No different classes.

Advances are made on heritable securities only.

Money is advanced on buildings in course of erection, but almost all advances are on houses already built.

Advances on mills and factories are only made in exceptional cases where the society is deemed absolutely free from risk, such as when the building is worth four times the value of the loan.

The society only advances to builders on the same terms as other members.

Advances are kept 15 per cent. within survey valuation.

Borrowers pay the same instalments as members, and 1/12th part of the amount of interest. We have no table of repayments.

We have no redemption fees. Borrowers may pay up their loans at any time.

Borrowers in arrear are fined 1*d.* per each 2s. monthly unpaid.

Fines are seldom inflicted.

We remit fines in case of sickness.

Both borrowers and members share in profits. All share alike.

Our borrowing powers are unlimited, but our revenue from ordinary sources is generally sufficient for all requirements.

We have frequently checked the lodging of deposits by reducing the interest from our usual rate of 4 per cent.

We don't require to check the withdrawal of deposits.

We have no paid-up shares.

We have no surplus funds. We neither buy land nor build houses, nor are we connected with any land company.

Our accounts are audited, and balance sheet published for the use of members annually.

ABSTRACT STATE of CASH TRANSACTIONS for the Year ending 28th February 1871.

RECEIPTS.		£	s.	d.
To balance from last year	- - -	3	2	9½
" instalments on shares	- - -	12,289	19	5
" interest on advances	- - -	2,747	12	0½
" bonus fees and fines	- - -	875	4	8
" loans repaid	- - -	11,052	7	4½
" disbursements for members repaid	- - -	561	11	5½
" drawn from bank	- - -	26,029	5	1
" agent's transactions	- - -	1,668	16	7
" deposits received	- - -	3,673	0	0
" copies of rules sold	- - -	1	3	0
		£58,902	3	5

DISBURSEMENTS.		£	s.	d.
By advances to members	- - -	14,715	0	0
" withdrawn shares paid—instalments	- - -	3,013	11	4
" do. do. interest	- - -	482	17	9
		3,496	9	1
" matured shares paid—instalments	- - -	7,360	3	4
" do. do. profits	- - -	3,933	7	2
		11,293	10	6
" lodged in bank	- - -	24,947	10	5
" deposits, and interest repaid	- - -	1,532	7	4
" disbursements for members	- - -	552	8	11
" agent's transactions	- - -	1,700	16	7
" discount for payments in advance	- - -	95	19	6
" commission to members, on obtaining new shares	- - -	18	10	10
" stationery and printing	- - -	12	9	2
" rent, coals, gas, taxes, and cleaning office	- - -	44	17	0
" postages, exchange, carriage of parcels, and advertising	- - -	22	12	1½
" income tax paid	- - -	14	6	6
" auditors' fees	- - -	21	0	0
" hall rent	- - -	2	5	0
" guarantee for manager's intrusions	- - -	12	10	0
" manager's fee	- - -	298	7	6
" office furniture	- - -	0	8	0
" outstanding accounts, including manager's fees, law agents' accounts, and stationery	- - -	92	1	0
" cash balance on hand	- - -	33	12	2½
		£58,902	3	5

Advances.

Repayments.

Fines and forfeitures.

Surplus funds, &c. Accounts, &c.

BALANCE AS AT 28th February 1871.			ASSETS.		
LIABILITIES.			ASSETS.		
	£	s. d.		£	s. d.
To instalments on shares	45,606	11 2	By advances to members	58,395	0 0
" profit allocated thereon	8,720	6 5	" interest due thereon	146	13 2
" deposits	3,458	6 6	" bonuses, fees, and fines	72	2 2
" outstanding stationery account	21	4 0	" balance in bank	2,038	10 9
" law agent's accounts	48	16 5	" do. agent's hands	1	10 6½
" outstanding manager's fees	77	7 9	" office furniture	70	0 0
" interest on deposits unlifted	63	13 5	" outstanding interest on advances	34	17 0
" interest on advances paid in advance, and sundry share credits	229	4 2½	" do. bonuses	93	14 0
" balance, being profit for allocation now	2,650	9 1½	" cash balance	33	12 2½
	£60,875	19 10		£60,875	19 10

Glasgow, 13th April 1871.—We certify that we have examined the above abstract of cash transactions and balance of the Scottish Savings Investment and Building Society with the relative books and vouchers, for the year ending 28th February 1871, and find the whole correct.

(Signed) E. MACDONALD, } Auditors.
J. YOUNG MERRAY, }

Members. Our securities are valued by the society before they are accepted. We do not consider any other valuation necessary.
Premiums are deducted from the loan at settlement.
About one fourth of our members are working men.
All our depositors are of the mercantile class.
Our working-men members are skilled workmen, whose average weekly wage would be about 27s. 6d.
Our working-men members are chiefly investors.

(The following answers are by Mr. W. T. Ross.)

Law. The state of the law with regard to building societies is not satisfactory. Building societies should have a separate Act.

Scottish land rights are different from those of England, and forms of deeds appended to an Act should be adapted to the Scotch law. Rules duly certified should be held as incorporated in mortgages.

The registrar's certificate is useful, and no better mode of registering occurs to me.

While I think it right that all new rules should be certified by a competent officer, it might be attended with risk to enact that such certificate should be conclusive as to their legality. What if he should certify anything that was illegal?

The registrar should have some discretion as to certifying rules, but an appeal should lie from him to the sheriff of the county.

An annual balance sheet should be lodged with the registrar, and I think the law should enforce some uniform mode of publishing accounts.

The audit should be by practical accountants, whether public or not, one named by shareholders, and one by directors, and the balance sheet should be signed by the manager. Auditors' fees should be fixed by directors.

I think the registrar's powers are already sufficient.

Disputes should be settled by arbitration, left to the members and directors, but failing a decision within two months by arbitration, an appeal should lie to the sheriff of the county.

The winding up of any society should be left to the members as at present.

Borrowing powers should be allowed to the extent of one half of the invested funds as shown by the immediately preceding annual balance.

Building societies should not have power to purchase land, as it would foster speculation, which it should be the special object of such societies to avoid.

I think entire exemption should be given from stamp duties; the present partial exemption is hardly worth having.

Building societies should be incorporated, as this would enable such societies to work without trustees, who are always gratuitous, and often do not understand the business brought before them.

Common law is quite able to deal with the misdoings or omissions of building societies or their officers.

An independent registrar for Scotland is indispensable.

8. EXTRACTS FROM RETURN made by Mr. George Meir, Manager of the Glasgow Provident Investment Society, a permanent society.

Shares. Shares are 25l., payable by monthly subscriptions of 2s. 6d.

Interest at the rate of 4 per cent. on the subscriptions at credit is given for the first year, 5 per cent. afterwards.

The allocated profit during the last three years has averaged 1½ per cent. per annum.

By Rule 9 shares can only be withdrawn as funds are realised.

Advances sold to highest bidder. Average premium during the last year, 35s. on share of 25l. Advances.

Borrowers pay law charges and survey fees. Law charges are regulated by table of fees sanctioned by the Faculty of Procurators in Glasgow, less one third of agency fees.

Borrowers pay interest at the rate of 5 per cent., payable monthly; only one class of borrowers.

A borrower pays 2s. 6d. per share monthly as subscription, besides 5 per cent. interest on the amount borrowed. Repayments.

Forfeiture takes place when the fines amount to the sum paid in by the member. This rarely occurs. A discretionary power to remit fines is given to the directors. Forfeiture.

There is no limit to our borrowing power, but we avail ourselves very little of it. Borrowing powers.

Do not buy land nor build, and have no connexion with any other society or company.

The accounts are audited by a public accountant, and balance sheet circulated amongst the members. Accounts

Premiums are deducted when the advances are made.

The proportion of working men in receipt of weekly wages is about 30 per cent. of our members. Members.

Our working men members are chiefly investors. Their wages will range from 20s. to 30s. a week.

9. ANSWERS by William Brechin Faulds, Member of the Faculty of Procurators in Glasgow, to the QUESTIONS about BENEFIT BUILDING SOCIETIES.

66. I consider that the law applicable to these societies is not in a satisfactory state, and that it should be amended in the particulars suggested in the following answers:—

At present there is a difficulty in taking a bond over heritable property in Scotland in favour of such building societies. Under the Acts hitherto framed applicable to building societies (including Gourley's bill) any form of bond given has been in an English form, and therefore not available in Scotland. The form of a bond and disposition in security in Scotland is statutory (31 & 32 Vict. c. 101 s. 118, Schedule FF.), and makes the borrower bound to pay the principal sum borrowed at the term of Whitsunday or Martinmas then next to come, and the interest thereon half yearly, with powers of sale in case of nonpayment, &c. Now the very principle of building societies is, that payment of the principal sum is to be accepted by monthly or other instalments, and is to be spread over a period of years (generally 10 or 12 years), and that the interest is also to be paid monthly, or at other short periods, all in terms of the rules of the society. To take the bond simply in the above statutory form, therefore, would be to take a bond from the borrower which did not express the agreement of parties. In order to express this agreement some societies are in the habit of qualifying the statutory bond by a separate memorandum or agreement, explaining how the loan is to be repaid in terms of the rules; others take the bond and disposition in security in statutory form, and also a personal bond to pay in terms of the rules. Others again take an absolute disposition to the property meant to be given in security, and also a separate personal bond for repayment in terms of the rules. In short almost every society has a separate mode of taking its securities.

I would, therefore, suggest, for the sake of uniformity as well as economy and safety, that a Scotch form of bond and disposition in security specially adapted to Scotch

building societies should be prepared and appended to the new Act, along with a form of discharge of such bond, and that the portion of the Act applicable to the taking and discharging of such securities in Scotland should be prepared by a Scotch lawyer. The language of those Acts hitherto has been entirely applicable to English land rights and English forms, and as the system of land rights in Scotland is totally different from those in England, provisions and forms applicable in the one country are totally inapplicable in the other.

67. I approve generally of Mr. Gourley's bill (except that its language and provisions require entire revision by a Scotch lawyer acquainted with Scottish land rights), subject to the observations in these answers, and to the suggestion that to remove doubts presently existing (if societies are not to be incorporated) trustees for societies should be declared to come within the provisions of the Gratuitous Trustees (Scotland) Acts.

68 & 69. I think the registrar's certificate useful; but I am of opinion that the registrar's powers and duties should be enlarged so as to include a thorough revision of all rules submitted to him before certifying the same, so as to see that they are safe and workable, and not inconsistent with the Building Society Acts. I am also of opinion that after rules are so certified by the registrar they should be held to be legal. It appears to me that the certificate inspires a false confidence and is worthless, or worse, if the registrar's certificate is not to be final as to their legality; and I can see no danger in giving this finality to the registrar's certificate if the registrar is competent for the performance of his duties.

70. I think the registrar should be entitled to refuse to certify where he considers the rules either unsafe, unworkable, or inconsistent with the Act, and that he should have power to take all assistance by an actuary, or otherwise, as he may require in revising the rules.

71. In case of the registrar's refusal to certify I think an appeal should lie to the sheriff of the county where the head office of the society is situated, whose decision should be final.

72. I would approve of an annual return from Scotch building societies to an officer in Scotland similar to the accountant in bankruptcy, if not to the accountant in bankruptcy. Such return to be effectual must no doubt frequently give rise to the necessity for explanations, exhibition of books, vouchers, &c., which could be much more conveniently given by Scotch societies to an officer resident in Scotland. I do not approve of the registrar as the officer to receive such returns, because the registrar is likely to be a lawyer, not an accountant, and it is advisable that an officer appointed to receive such returns should understand them.

73. I think an annual audit of such accounts quite necessary.

74. I think, however, that an audit by a public officer would be unworkable. To provide for an efficient audit of all building societies' accounts, the balancing of their accounts would require to be arranged in rotation, and even then it would require a large number of such public officers or thoroughly qualified assistants to overtake such a mass of work. I would rather suggest an audit by two public accountants, to be nominated by the shareholders of each society, and that such auditors should by the Act be declared responsible for the correctness of their audit.

I consider further that the Act should provide that such audit should be final and conclusive as regards the state of account between the society and each of its members.

75. I think the registrar's powers and duties should be enlarged as above suggested, so as to require his attestation (after a thorough revision) to the safety, practicability, and legality of the proposed rules of every society.

76. I am of opinion that the arbitration clause in Mr. Gourley's bill (sections 30 and 31) should be adopted with these alterations: that the arbitrators should be appointed annually by the shareholders of every society, and that when a demand for arbitration has been made to a society, and they have for a period of three months failed to proceed therewith, or, when the arbitration has been commenced, where either party fails during a period of three months to take any proceeding therein, the arbitration should fall, and the jurisdiction in the claim should devolve upon the sheriff of the county where the principal office of the society is situated. And with reference to the sheriff's jurisdiction I would suggest that in all claims below 50*l.* the claim should be made and decided in the summary form provided by the Small Debt Act in Scotland. In claims of 50*l.* and upwards the claims to be made and decided in the sheriff's ordinary court, and the decision of the sheriff to be final.

77. In cases where such societies require to be wound up, I see no reason why the winding up should be removed from the society's own manager and directors, under the check of the annual audit as above.

78. I am of opinion that building societies should have power to borrow, but I see great danger in an unlimited power. Such a tempting command of money would almost certainly give rise to carelessness in investing, or to over speculation; and, even assuming careful investing, as money deposited would generally be lent on call or for a short period, a sudden general demand for repayment might ruin any society, whose money must always be lent on bonds repayable by instalments spread over a period seldom less than 10 years. I would personally be inclined to limit the power to borrow to one half of the society's paid-up and invested capital (as distinguished from the borrowed or deposited money so invested), as at the last audit.

79. I would strongly object, to building societies having power to purchase land or to enter into building contracts (except to the extent of offices for the company). Such a practice would make them to a large extent speculating companies instead of provident mutual loan companies.

80. I am of opinion that building societies should be entirely exempt from stamp duty. The gain to the revenue from that source at present must be very small, and the boon to the working men would be considered important. If entire exemption is not granted, I think the present partial exemption should be done away with.

81. I am very strongly and decidedly of opinion that building societies should be incorporated. This would save the very great inconvenience felt at present from frequent changes of trustees, and from the necessity of continuous application to them to attend to matters for which they receive no remuneration.

Of course provision will require to be made in such event for the vesting in such societies, when so incorporated, of all property heritable and moveable, real and personal, of whatever kind and wheresoever situated, at present standing for behoof of such society in the name of any trustee or trustees, with the whole rights, title deeds, and vouchers thereof.

82. I prefer incorporation under clauses to be inserted in an Act specially applicable to building societies.

83. I consider no improvement necessary in connexion with punishment of misdoings by officers of building societies.

84. I am strongly impressed with the necessity of having a registrar in Scotland as at present, but with extended powers and duties.

10. EXTRACTS from RETURN made by Messrs. J. and W. Graham, C.A. Managers, and Mr. C. B. Aikman, Law Agent of the Equitable Heritable Property Investment Society of Glasgow, a permanent society.

Society established in 1859, but wound up in 1869, and reconstituted with amended rules.

Shares of 25*l.* each. Prepayments not exceeding 20*s.* per share per month received.

Entrance fee 1*s.* per share, and annual payment of 6*d.* per share towards contingent fund.

Advances only to members. Advances.

Premiums taken by competition amongst members or at discretion of directors where offer is not below 20*s.* per share.

There is no scale of law or survey charges.

Five per cent. interest charged to borrowers. Same fines as for investing members.

Advances on houses already built or in course of erection, not on mills or factories.

Instalments paid monthly until with share of profits they amount to value of share. Repayments.

No redemption fees.

Society may sell property if borrowing member is three months in arrear. Fines and forfeiture.

Borrowing members share in profits in same manner as investors.

Borrowing powers are unlimited.

Does not buy land nor build houses, and has no connexion with any other society.

Directors' report and financial statement are sent to each member previous to annual meeting. We consider that in the notice calling the meeting at which the annual accounts are to be submitted a memorandum should be inserted of the amount of instalments standing at the credit of the member in the books of the society as audited and carried to his credit, and unless objection be stated within 14 days to such balance, the sum stated in the memorandum should be held to represent the whole claim of the member against the society.

[NOTE.—In connexion with this subject, Messrs. J. & W. Graham forwarded a very simple and complete form of members' pass books, remarking that "it is of the utmost importance for a society to have its pass book so framed as to be a counterpart of the member's account in the ledgers of the society." See below.]

Borrowing powers.
Surplus funds, &c.
Accounts.

The Equitable Heritable Property Investment Society.

No.		Mr.					Shares.					Ledger folio	
Date.	Entrance and Annual Charges.	Fines and Miscellaneous Charges.	Interest on Advances.	Instalments on Shares.	Total.	Initials.	Date.	Entrance and Annual Charges.	Fines and Miscellaneous Charges.	Interest on Advances.	Instalments on Shares.	Total.	Initials.
18 Jan.							18 Jan.						
Feb.							Feb.						

Only one or two working men out of 113 members. Members composed of professional men, tradesmen, clerks, &c., and a few ladies.

Mr. Gourley's bill is entirely framed in English law phraseology, and it would be preferable that it embrace Scotch law terms as well, so as to make it really serviceable to Scotland, and if schedules containing bond of caution to be granted by manager or treasurer, also bond and disposition in security by a member for loan over property, both in Scotch style, were appended to Act, so that deeds by the various building societies be made uniform and thoroughly legalized.

The registrar's certificate is, we consider, of no practical effect, but his powers might be somewhat enlarged, and it be declared in the proposed bill that his certificate attached to the rules stamped them as legal and sufficient.

The registrar should have some discretion in certifying rules, and should have the assistance of an accountant or actuary.

There should be an appeal from the registrar to the sheriff of the county in which the society proposes to conduct its business.

Uniform annual returns, the same as required from insurance and railway companies, should be made to the Board of Trade or some other public office within 14 days from the date of the accounts and balance sheet being approved of by a meeting of shareholders.

The accounts should be audited annually by a local professional accountant. A summary of the accounts should be printed and advertised the same as insurance offices, &c.

An audit by a public officer would involve societies not only in very great expense but also great inconvenience, if the books were removed from their offices. It is not to be expected that a public officer could visit the whole of the building societies in Scotland to audit the various societies' accounts, especially if they had all to be done at a certain fixed time in the year. If such an officer had power to call in the books of societies to his office, it would practically bring the business of each society to a standstill, as it would involve the books being retained for several months. Railway and other companies incorporated under the Companies Act appoint their own auditors, and the manager or secretary signs the balance sheet along with the auditors. Such a provision in a building societies' Act would be very desirable in order to fix the responsibility on manager or secretary.

Disputes should be settled by arbitration, and failing their deciding within a limited time, an appeal should lie to the sheriff of the county, whose decision should be final. Cases under 50*l.* value should be tried summarily, and above 50*l.* in ordinary form.

The cheapest and best way of winding up a society is to leave the winding up to the manager, whom failing, to a person appointed at a general meeting of shareholders specially convened.

Borrowing powers should be limited for each year to two thirds of the amounts due on mortgages of societies as standing at last balance of accounts.

Power to purchase land should be limited to quantity required to erect offices for the society.

The exemption from stamp duties is of little benefit unless extended beyond the present limit of mortgages for 500*l.*

Building societies should have power (under such provisions as those contained in 34 & 35 Vict. c. 80, amending and confirming sect. iv. of Industrial and Provident Societies' Act, 1867,) to form themselves into a corporate body having a common seal, and to sue and be sued in their corporate name, and not as at present in names of trustees, who are only nominally connected with the society. All bonds and mortgages would be made in the corporate name.

There should be a distinct and consolidated Act for building societies.

The criminal law in Scotland is quite sufficient to meet all cases of embezzlement, but a fine might be inflicted on directors infringing rules or not making proper returns as before indicated to the Board of Trade or other public office, or failing to make the regular audit.

There should be an independent registrar for Scotland.

11. EXTRACTS from RETURN made by Mr. R. Black, Manager and Secretary of National Freehold Building Society of Glasgow.

General arrangements as to shares (save monthly instead of fortnightly payments) same as Scottish Property Investment Company of Edinburgh.

Five per cent. interest allowed annually; profits divided every five years.

Borrowers do not share in profits.

Advance

No premiums.

Make advances for 6, 8, 10, 12, and 14 years. Ten years' scale preferred. Annual payment on 100*l.*, 10*l.* 15*s.* 10*d.*, paid by monthly instalments of 1*l.* 1*s.* 7*d.*

Borrowing power unlimited.

12. EXTRACTS from a RETURN made by Mr. Wm. Martin, Secretary to the Dumfries and Galloway Benefit Building and Friendly Society, established 1857.

"A borrowing member has to repay his advance by a weekly instalment of not less than 1*s.* per share (30*l.*), but the payments are quite optional so long as a member is not a borrower. Sums as small as threepence can be given as deposits by non-borrowing members, and a member may take as many shares as he pleases on a payment of 1*s.* per share. A member may deposit any sum he pleases not exceeding 30*l.* on each share.

Advances are made to members only.

Advance

Premiums at present fixed at 10*s.* per share for buildings newly erected, and 20*s.* for older buildings.

Surveyors charges paid by borrower, 5*s.* per 100*l.* up to 300*l.*, and 2*s.* 6*d.* per 100*l.* for buildings valued over 300*l.*, i.e., for each 100*l.* after first 300*l.* Law charges 3/5ths of regulation charges.

The scope of the society is thus described in Rule II. —

" II. That the objects of the society shall be—

" (1.) To lend money to members to enable them to erect or purchase a dwelling-house or dwelling-houses, or other real or heritable estate, in situations of their own selection; the money advanced to be secured over the property so purchased.

" (2.) With the consent and previous authority of a majority of the members present at a special general meeting of the society, to purchase sites suitable for building or garden purposes, and either to convey the same as originally purchased by the society, or to erect new or improve already existing dwelling-houses thereon, and to convey such sites, so built upon or improved, at cost price to such of the members who may prefer this to the first kind of assistance; the amount of the purchase money to be secured over the property so conveyed.

" (3.) To afford a safe place of deposit and a good interest for small savings to such of the members who want neither land nor buildings."

[NOTE.—There does not appear to be any rule for repayment of advances, except that "when a member has obtained an advance from the society he shall pay at

"least 1s. per week on each share he has had advanced." The rules contain a form of bond and disposition reciting the terms of the loan. By Rule 43 the society is to terminate when it shall appear that every member has received the amount of his share or shares, and that all other liabilities of the society are fully paid and satisfied.—G. C.]

13. EXTRACTS from a RETURN made by Mr. D. A. MacLaren, Manager of the Grangemouth Building and Investment Society, a permanent society established in 1859.

Shares. 25l. shares subscribed by a monthly payment of 2s. Withdrawals in rotation as funds of society permit.
Advances. Advances are made on houses built by the society, which are put up to competition amongst the members.
Five per cent. interest is paid on all sums advanced till the loan is paid off by subscriptions to shares.
Premiums received are carried to the profit and loss account.
All members share alike in profits.
Law. Titles to property should be simplified, and the cost of conveyance modified.
The conveyance of a house worth 100l. costs 5l., which is a hardship to working men, who form three fourths of our members.
Our building society could be better conducted under the Industrial and Provident Societies Act.

14. EXTRACTS from RETURN made by Mr. Chas. M. Wilson, Secretary to the Hawick Working Men's Building and Investment Society, a permanent society established in 1864.

Shares. Shares 5l. each, payable by a deposit of 2s. 6d. and monthly instalments of 1s. 6d. Paid-up shares are granted. Last dividend 5 per cent.
Fines 3d. per month per share.
Shares cannot be withdrawn.
The society builds houses and sells them to shareholders, the value to be repaid by annual instalments of 7½ per cent. spread over 22 years; formerly the instalment was 10 per cent. for 14 years.
Members are mostly working men receiving monthly wages.
Law. Building societies should have compulsory powers to purchase land.

[NOTE.—In answer to a letter of mine, asking why the society was registered as a society under 6 & 7 Will. 4. c. 32, and not under the Companies Act, Mr. Wilson says, "The principal reason for the Hawick Society adopting the Building Societies Act was the exemption from stamp duty. The form of embodiment is also cheaper and less complicated. We also found that many working men looked with suspicion on the Companies Act, in consequence of the collapse of many companies formed under it."]

15. EVIDENCE of Messrs. W. G. and J. W. Lindsay, Accountants, Treasurers, and Secretaries of the Glasgow and Suburban Dwellings Company.

The practice of the company is to build houses and sell them to the shareholders, accepting repayment of the price by instalments spread over from 6 to 21 years, at the option of the purchaser.

The following is our table of rates for repayment, showing the rates of payment of a house of the value of 100l., including interest and insurance, for periods from 6 to 21 years—

Period of Payment.	Annual.		Quarterly.	
	£	s. d.	£	s. d.
6 years	19	18 0	4	19 6
7 "	17	9 8	4	7 5
8 "	15	18 6	3	18 5
9 "	14	5 5	3	11 4
10 "	13	3 0	3	5 9
11 "	12	4 10	3	1 3
12 "	11	9 8	3	17 5
13 "	10	17 0	2	14 3
14 "	10	6 0	2	11 6
15 "	9	16 8	2	9 2
16 "	9	8 6	2	7 2
17 "	9	1 5	2	5 5
18 "	8	15 1	2	3 10
19 "	8	9 6	2	2 5
20 "	8	5 6	2	1 2
21 "	8	0 0	2	0 0

The price paid includes a profit not exceeding 10 per cent., which may be diminished by measurements exceeding the schedules.

The majority of the houses built by the company consist of two or three rooms (including kitchen), with scullery and water-closet, and are valued at from 150l. to 200l. The cost of building our smallest class of houses, two rooms and scullery, &c., is about 140l.

Self-contained cottages of four rooms (including kitchen) cost 260l. These are in great demand.

Two rooms downstairs, with scullery and three bedrooms, cost about 345l.

We applied for a loan to the extent of one half of cost on these tenements, under Labouring Classes Dwellings Act, but our application was refused because the building was completed. We applied again when preparation was being made to build other tenements, but the application was again refused.

Our shares are 5l. each, subscribed by monthly instalments of 1s. The shares are not withdrawable.

We send an annual report to the registrar of companies in Edinburgh, and exhibit an abstract of financial statement in our office.

We have over 400 shareholders, and their number is increasing. A majority of these are in receipt of weekly wages.

The price of land in Glasgow is a great obstacle to the building of good houses, necessitating four-storied tenements. If good ground could be had within a moderate distance at 2s. 6d. to 3s. per yard, ranges of two-storied houses of two or three apartments, with conveniences and separate garden plots, might be provided for 100l. and upwards. Whether the working classes would travel a mile or two by tram or railway to occupy such houses is not quite certain.

The state of the law of heritage and the great expense of titles of small subjects is a great hindrance, and this company is anxiously expecting some improvement.

16. LETTER to the ASSISTANT COMMISSIONER from Messrs. J. and J. Gardiner, S.S.C., Law Agents of the Scottish Union Property Investment Companies, enclosing examples of cost (legal and registration) of advances to members of the 2nd company.

DEAR SIR, December 11th, 1871.

We send you four small accounts, from which you will see the very trifling sum paid to us for the trouble of examining titles, preparing the conveyance, and for our responsibility in undertaking to make good any loss which may arise hereafter from neglect or error of title. You will observe that the expense of recording the deed in the register is almost equal to our fees for examination and preparation of the conveyance, and relative responsibility, while these latter fees are more than double what we are authorised to charge for engrossing (or "extending") the conveyance on stamp.

The cost of recording is a very serious matter, and might and ought to be reduced by more than one half.

Further, in cases of loans and advances by building societies over 500l., we have now to pay stamp duties.

1. On the advance as a price paid, when the property in respect of which the advance is made is a purchase; and

2. A bond stamp equivalent to the same sum as a loan.

This is monstrous, and defeats the purpose of the Benefit Building Societies Acts.

Before leaving this subject, we may add that the present state of the stamp laws is discreditable, and we frankly own that we do not understand them in many respects.

Were the fees—

1. Of recording,
2. Of stamping, and
3. Of the searches diminished,

the expense to purchasers would be greatly lessened.

A fee is charged for searching the books, when that is done by agents themselves, which they often do to escape the heavy searchers' fees. Now, we don't think this is fair. These books are public property, and access should be had to them gratis.

Of course a large part of the expense of conveyances of flats in new tenements is caused by the necessity for engrossing in them all the burdens and conditions applicable to the flat. This occurs only the first time that the flat is sold, as we can refer to these burdens in subsequent deeds. But this might be avoided by the recording of an agreement or declaration stating that certain burdens, &c., should apply to every portion of a tenement, and separate

Cost of recording should be reduced by one half.

Stamp duties payable by building societies.

State of stamp laws discreditable.

Practice of engrossing burdens and conditions applicable to each flat of a tenement unnecessary.

conveyances of the parts might, even in the first deeds, refer to this as containing an enumeration of these burdens, &c.

We are, &c.
J. & J. GARDINER.

NOTE OF ACCOUNTS incurred by members of the Second Scottish Union Property Investment Company to Messrs. J. and J. Gardiner, S.S.C., on obtaining advances.

AMOUNT OF ADVANCE 325L.			
		£ s. d.	£ s. d.
Drawing disposition	11 sheets	3 13 6	
Paid for stamps	-	3 5 1	
Paid clerk extending disposition, 11 sheets	-	1 2 0	
Drawing warrant for registration of disposition and fee, giving in and taking out same from record	-	1 1 0	
Paid recording dues	-	2 9 6	
Fee for personal bond to the company for payment of the fortnightly contributions, interest, fines, penalties, &c.	-	0 10 6	
			12 1 7

ADVANCE OF 100L.			
		£ s. d.	£ s. d.
Drawing disposition	-	1 1 0	
Extending do.	5 sheets	0 10 0	
Drawing warrant for registration and fee, giving in and taking out from the record	-	0 10 6	
Paid recording dues	-	1 11 6	
Fee for personal bond to the company for payment of contributions, &c.	-	0 10 6	
			4 3 6

ADVANCE OF 225L.			
		£ s. d.	£ s. d.
Drawing disposition	price 375l.	3 3 0	
Paid for stamp	-	1 7 6	
Paid clerk extending	7 sheets	0 14 0	
Warrant for registration and fee	-	0 16 8	
Paid recording dues	-	1 17 6	
Fee for personal bond	-	0 10 6	
			8 9 2

ADVANCE OF 145L.			
		£ s. d.	£ s. d.
Drawing disposition	8 sheets	2 12 0	
Extending do.	8 sheets	0 16 0	
Paid for stamp	-	1 0 0	
Drawing warrant for registration and fee, giving in and taking out from record	-	0 16 8	
Paid recording dues	-	2 3 6	
Fee for personal bond	-	0 10 6	
Proportion of expense of search in personal registers	-	0 7 6	
			8 6 2

17. COST OF CONVEYANCE of a HOUSE sold for 150L., and further EVIDENCE given by Mr. J. Duncan Smith, solicitor, Secretary to the Standard Investment and Building Society.

When a party purchases a house at a cost of 150L., the following is a probable estimate of the expense:-

	£ s. d.
Framing conveyance	2 2 0
Stamp duty	0 15 0
Engrossing six sheets	0 12 0
Revising conveyance	1 1 0
	£4 10 0

One half payable by purchaser - 2 5 0
the other half being paid by the seller.
The expense of registration is wholly paid by purchaser, viz.:-

	£ s. d.
Warrant of registration	0 6 8
Registration dues	1 11 6
Agency fee at registration	0 10 0
	2 8 2

£4 13 2

Occasionally an inventory of prior titles is required, which increases the expense from 17. to 31. according to the number of titles.

It will be observed the Government receives stamp duty of 15s., and registration dues 14. 11s. 6d. These registration dues are much too high, and might be reduced at least one third. At present there is a reversion of several thousand pounds annually accruing to Government from

Registration dues.

26867.

the Registration Office, after defraying the expense of maintaining the office.

I would also call attention to the fact that when a search for incumbrances is made the fees of it for 40 years amount to as much as the whole expense of the transaction. These fees are very excessive, and should be at once reduced by at least one half. The fees paid for searches form a severe tax on the conveyance of heritable property.

Notes of Conversation with Mr. J. D. Smith, taken from the Assistant Commissioner's Note-book.

"The difficulty of a disposition in which reference only is made to the rules of a society, is that the recorded deed refers to conditions which do not appear on the record. The whole conditions of repayment must be stated in full. I don't think it would be desirable to give a form of disposition in the schedule of a new Act in order to enable societies to recover more than they could on an ordinary cash credit bond. It is certainly not desirable to encourage the system of fines. To introduce such matter as forms of bonds, &c., into an Act would be to encourage the formation of societies by managers and law agents who do not understand their business. We often convey directly to the society to save the expense of recording two deeds. With the conveyance we take a personal bond from the borrower. The conveyance sets out that though the property is conveyed to the society it was purchased by the borrower, and the society only holds it till the advance is discharged."

18. EVIDENCE AS TO EXPENSE OF CONVEYANCE of a HOUSE valued at 200L., as given by a Writer in Edinburgh unconnected with any building society.

The items include a complete search of incumbrances for 40 years, but as a search is generally brought up to the date of every transmission of the property, such a heavy sum as that stated below under the head of search of incumbrances would seldom occur.

The purchaser has to pay:

	£ s. d.
To his own agent for examining the titles and searches of incumbrances, drawing the disposition, and final adjustment at the rate of 1l. 1s. per 100L.	2 2 0
Extending disposition	0 8 0
Stamp	1 0 1
	3 10 1

One half of this (3l. 10s. 1d.) is payable by the seller - 1 15 0½

To seller's agent for revision and adjustment of disposition - 1 1 0
One half of which is payable by seller - 0 10 6

To his own agent for preparing warrant of registration - 0 6 8
Fees for recording - 1 2 6
Giving in disposition and getting it out - 0 10 0

Total sum payable by purchaser - 4 4 9

The seller has to pay:

Search of incumbrances:	
Drawing memorandum for search (say two sheets)	0 12 0
Copy	0 4 0
Ordering and taking out searches	0 10 0
Complete search for 40 years in all registers	7 12 3
	8 18 3

One half of purchaser's agent's fees as above - 1 15 0
One half of his own agent's revising fee - 0 10 6
Total paid by seller - 11 3 9

Total expense - 215 8 6

Probable expense of house taken on original fee; feu duty,

	my 3l.
Drawing feu charter (10 sheets)	£3 4 0
Extending	1 0 0
Stamps	0 5 1
Copy	1 5 0
	5 14 1

Payable to vassal's own agent:
Preparing warrant of registration - 0 6 8
Recording fees (say) - 2 0 0
Giving in and taking out - 0 10 0

Total expense - £8 10 9

19 LETTER addressed to the SECRETARY of the COMMISSION by Mr. Chas. M. Wilson, Secretary of the Hawick Working Men's Building and Investment Society.

SIR, Hawick, 23rd September 1871.
As I do not know whether the Commissioners are to make inquiries in other places in Scotland besides Edinburgh and Glasgow, I take the liberty of forwarding to you, by book post, a copy of the rules of the Hawick Working Men's Building and Investment Society, and also a copy of their last balance sheet.

The society builds the houses, which are put up to competition by public roup amongst the members or shareholders of the society alone. The ground is feued from the Duke of Buccleuch, at the rate of 15l. per acre, redeemable in 22 years, in the same manner as the Government drainage loans. The shares and prices of the houses are kept quite distinct, and members are allowed to transfer either their shares or houses to any suitable party. The society has already built 56 houses, the prices of which vary from 90l. to 145l. Each house has a separate entrance, and is supplied with gas, water, outhouses, &c. There is also a garden allotment attached to every house, the feu duty of which averages from 10s. to 15s., redeemable in the same way as that payable to the Duke of Buccleuch. The houses consist of two stories, with outside stone stairs to the upper flats, and are built on a fine healthy situation, just at the outskirts of the town. The members are nearly all working men, in the tweed and hosiery factories here.

The instalments have been paid with remarkable punctuality, both on the shares and the houses. Indeed many of the purchasers have paid considerably in advance of their instalments, whilst a few have already paid up the whole price.

There has been considerable discussion regarding the form in which the accounts of the society should be prepared and published, and it would be well if some uniform and authoritative mode were enacted by statute, as is now done by railway companies. There is also some difference of opinion whether the directors of the society should build the houses, or allow each member, who wishes, to build his house, and advance him the money therefor. Occasionally the directors have been drawn into a controversy, both with the contractors and the purchasers; some members, moreover, wish the amount of the shares paid up by them to be placed to the credit of the prices of the houses purchased by them, but this is at present contrary to the rules of the society.

The difficulty of obtaining suitable ground has been severely felt, both by this and other societies, in the district. I hope the Commissioners will excuse my submitting these remarks to them, but as we are all anxious for the welfare of our society, I thought it right to bring it under their notice, and the directors will be glad to be favoured with any remarks and suggestions which the Commissioners have to make on the rules and accounts of the society.

I remain, &c.,
CHARLES M. WILSON,
Secretary.

20. NOTES OF CONVERSATION with Mr. John Auld, Solicitor to the Scottish Property Investment Company, as taken from the Assistant Commissioner's note book.

form of bond and disposition.

"We use a form of bond and disposition incorporating the rules of our society, which I consider to be a legal form, for the purpose of recording in the register of sasines. I don't think it would be desirable to provide a form of bond in the Act of Parliament. Such a form, unless the Act made it an instrument effectual to carry the rules, of whatever nature, into operation, would be of no use. Every society can use a form incorporating their own rules. Very frequently to save expense I take a conveyance direct to the society, instead of a conveyance to the borrower, and bond and disposition to the society."

Discharge of bond might be recorded on margin of original record.

"An endorsement on a bond would not serve as a discharge, unless it was substantially a discharge in ordinary form, because the keeper would not put it on his record. It might be desirable to order the keeper of sasines to receive a simple receipt endorsed on a bond as a warrant to record the fact of discharge on the margin of the original record. According to an old decision in *Dobbinson v. Hawkes*, 12 Jur. 1037, persons cannot be joint shareholders of a society's shares. This decision has in many cases been disregarded, but the decision still stands as the law on the subject, and according to it two sisters, for example, cannot hold joint shares; and when an association of 10 or 12 workmen join to erect a tenement, they cannot borrow from us, but must get money from any source they can, commonly at

Joint shares should be made legal.

exorbitant interest, till the houses in their tenement are allocated amongst the members of the association. We have advanced them money to save this expense, making one member a shareholder, and holding the others as jointly liable with him. I think this inability to hold joint shares should be cleared away."

21. EVIDENCE of Mr. Geo. Muir, Manager of the Glasgow Provident Investment Society, as taken from the Assistant Commissioners' note book.

Our law agents plan of a "back letter" to supplement the statutory bond has never been called into use. We have never had a case against a member where it could be of any use to the society. I don't know of any society using a similar document, and I think the expense of the back letter (about 50s.) is a great hardship to the members.

"Back letter."

We pay stamps on all our bonds, why I don't know. All other societies in Glasgow claim the exemption for bonds under 500l.

Pay stamps on all bonds

We used to take deposits but have given it up. We considered the directors personally liable for deposits.

Consider directors personally liable for deposits.

We lend only to members who get a loan at the highest premium offered. The highest premium I have known was 3l. 5s. per 25l. share. We deduct the bonus on paying the loan, but as the borrower is a participator in the profits, the premium is repaid by his share in the profits. Our borrowers and investors are in exactly the same position.

Premium repaid by share in profits.

I can see no objection to a society pledging its bonds to a bank. It is much less expensive than a bank taking a bond from the directors. When we used to borrow from our bank, say, 4,000l., we gave them bonds for 20,000l., so that when any bond was discharged, there was always such a margin as to make the borrower certain of getting back his bond.

Pledging bonds.

A discharge of bond and disposition now recites a description of property, and is sometimes a deed of considerable length, the charge of the law agent being for drawing the discharge 10s. on first sheet, and 6s. on every other sheet, i.e., for drawing, say four sheets, 44s., and for extending 2s. 6d. for first sheet and 1s. 6d. for every other, i.e., 7s. for extending four sheets. Total cost of deed of discharge paid by borrower 11. 15s. This deed is sent to record office, and is copied and certified, and the law agent has another fee for sending deed to record office.

Discharge of bond and disposition now recites a description of property, and is sometimes a deed of considerable length, the charge of the law agent being for drawing the discharge 10s. on first sheet, and 6s. on every other sheet, i.e., for drawing, say four sheets, 44s., and for extending 2s. 6d. for first sheet and 1s. 6d. for every other, i.e., 7s. for extending four sheets. Total cost of deed of discharge paid by borrower 11. 15s. This deed is sent to record office, and is copied and certified, and the law agent has another fee for sending deed to record office.

In Glasgow "flats" may be purchased as a separate property; maintenance of roof and chimney heads are regulated on each flat by title. Flats are divided into different occupations (houses), and we lend money to one, two, or three parties representing a flat, as the case may be. We take a joint liability to the society.

Flats.

22. Mr. Robert Paterson, Chairman of the Scottish Property Investment Company, a society registered under the Building Societies Act.

"I disapprove of the system of terminating societies allowing borrowers to participate in profits and incur a liability for losses. True enough on the terminating principle a borrower may repay his loan in a shorter period if all goes well, but in the case of a loss incurred by the society his position is a very uncertain one. I consider that a borrower's position should be clearly defined; in so many years at such and such payments you discharge your debt, and neither participate in profits nor suffer from losses. One thing, I think, should be fixed by Act of Parliament, viz., that no society should be allowed to pawn its securities, i.e., should not be allowed to give its borrowers bonds as securities to a bank for advances. Let the bank if it likes value these bonds in giving credit to the society, but do not let the borrowing member be involved by a transfer of his bond to a third party. Suppose the case of a society being wound up with its bonds pledged to a bank, how can a borrowing member free himself from the banker's claim, more especially if he is a participator in profits and losses?"

Borrowers position should be defined.

Societies should not be allowed to pawn their securities.

[NOTE.—The above evidence is from notes of a conversation taken by the Assistant Commissioner.]

23. Mr. Jas. Paterson, Manager of the Scottish Union Property Investment Company and Second Scottish Union Property Investment Company, terminating Building Societies, registered under 6 & 7 Will. 4. c. 32.

"I approve of the system of terminating societies as against that of permanent societies, because a borrower, by

Advantages of terminating societies.

BRANCH LIBRARY
BOMBAY

ON BENEFIT BUILDING SOCIETIES IN SCOTLAND.

67.

sharing in the profits of the society, can repay his loan in a shorter period than that fixed by a permanent society, where he does not share in the profits. For example, one of our borrowers may repay his loan in, say 12½ years instead of 14, which would be required if he did not participate in profits. This makes the system popular, and to carry it out to advantage we start a new society as the one before it reaches a period when its surplus fund could not be easily invested, the second society becoming a borrower from the first. I cannot see why the borrower should not participate in the profits to which he contributes."

[NOTE.—This evidence is taken from the Assistant Commissioner's notes of a conversation.]

24. NOTES OF CONVERSATION with Mr. Couper, Manager of the Property Investment Company of Scotland, a Benefit Building Society. Taken from the Assistant Commissioner's note book.

"Our society advances exclusively on buildings, though according to our rules we might advance on fees, &c.
"We never deal with builders, and have few advances as low as 150l. Our advances are more to the middle classes, to enable them to buy houses or shops. We don't deal with associations of builders, which are common in Edinburgh, consisting of masons, slaters, joiners, plumbers, &c., each doing a share of the building, and borrowing as an association from one of the investment companies, who again lend to the purchaser.

"The only exemptions we have under the Building Societies Act are from stamps on borrowers' bonds, cheques and receipts to members. I don't think we would suffer at all from being registered as a company. For my own part I think the exemption from the bond stamp might be reduced to sums not over 200l. instead of 500l.

"The great inconvenience of a terminating society is that a member entering, say three years after the society is started, must pay up three years' subscriptions, which few poor men can do."

25. NOTES OF CONVERSATION with Mr. A. Paterson, Manager of the Heritable Securities Investment Association, Limited. Taken from the Assistant Commissioner's note book.

Mr. Paterson said, "I started the first permanent building society in Scotland, called the Experience Investment Society. To make any progress we found it necessary to borrow on deposit. I started the Heritable Securities Investment Association, of which I am now manager, as a limited company, to prevent the difficulty occurring by shareholders withdrawing, and so lessening the security to depositors. We are gradually winding up the Experience Investment Society, only granting new loans to die out with those contracted for before this company was established. One objection to societies registered under the 6 & 7 Will. 4. is the formality necessary to be gone through when any change of rules is found desirable; we have more freedom as a company. Though we do occasionally advance small sums our borrowers are generally of a higher class than those who apply to benefit building societies.

"We have a fixed rate of interest, something over five per cent., but we make arrangements with borrowers of large sums, subjecting, for example, only part of the loan to a charge for redemption, whilst another part remains at interest only till the first part is repaid. We give loans redeemable in 16 years."

26. Mr. J. F. Moffatt, Manager of the Scottish Heritable Securities Company, Limited.

"Our capital consists of shares partly paid, i.e., we have 5l. shares, of which 1l. is paid. We take money on deposit to any amount, giving interest at 3 to 4½ per cent. according to time of call. We do a banking business, confining our investments to heritable property, our depositors having only the share capital paid and unpaid as a security beyond the value of our investments. We treat each investment on its merits, both as to term of years for discharge and rate of interest; we have always been able to find a

ready outlet for our deposits, though we never refuse a deposit on the ground that it may entail some slight temporary loss. Borrowers of small sums do not apply to us, they go to some of the benefit building societies."

[NOTE.—This evidence is taken from the Assistant Commissioner's notes of a conversation.]

27. CASE of the Inverness Building Association.

EXTRACTS from a Letter addressed by the Assistant Commissioner to the Secretary of the Commission on the 5th of December 1871.

"I have received this morning a long letter from Mr. Donald Forbes, a borrowing member of the Inverness Building Association, enclosing a MS. balance sheet dated 1864, and a MS. copy of the society's rules (the only copy in existence apparently, save the duplicate lodged with the Registrar in Edinburgh).

"The following are my notes on the papers forwarded:—
"The society is a terminating one; started in 1849, and calculated to last 10 years. It is still in existence, and appears now to be composed of six investing and 10 borrowing members.

"As to the rules:—
"Object of society is by payment of 6d. per week to form a fund of 25l. shares. Part of Rule I.

"Provides subscriptions shall be paid fortnightly. Do. IV.
"Fines 1d. per fortnight for every fortnight in arrear. Do. V.
Members forfeit payment when fines, &c. amount to value of subscriptions paid.

"Provides for quarterly audit and publication amongst members of abstract of report. (Never done as far as I can gather from papers sent.—G. C.) Do. XII.

"Shares withdrawable on three months' notice; if more than one application, then in order of application. (No time specified.) Do. XV.

"An advanced member allowing his subscriptions, interest, and fines, &c. to fall into arrear to amount of sum equal to six months' subscriptions and interest, shall forfeit all right to property, which shall be sold for benefit of society. (Vide one case in Forbes' letter.) Do. XIX.

"Contains power to invest surplus funds in heritable and moveable securities in name of trustees, under instruction of legal agent of association. Do. XX.

"Assumes 10 years to be duration of society. (Note registered October 15th, 1849.) Do. XXI.

"Gives unlimited powers to borrow. Do. XXII.
"Gives appeal to special meeting of shareholders in case of complaint against committee of management. Do. XXIV.

"Refers disputes to arbitration as by 10 Geo. 4. c. 56, sect. 37, except as to disputes specified in sect. 15 of 9 & 10 Vict. c. 37, which are referred to registrar as arbitrator. Do. XXV.

"Mr. Forbes encloses as I said a MS. balance sheet dated June 18th, 1864. This balance sheet is drawn in accordance with an award against directors of liability for defalcations of treasurer (Mr. Forbes denying legality of reference) by a Mr. Greig, a banker. I attach to my letter an abstract of this balance sheet. If Mr. Greig's valuation is or was correct, the society, as Mr. Forbes says, should have been wound up. On the contrary it still goes on, as Mr. Forbes avers, for the benefit of the six non-borrowing members, who are now the directors.

"The points that occur to me on reading these papers are—

"1st. The unhappily undefined position of the borrower from any terminating society.

"2nd. The confused condition of Rule XXV. for settlement of disputes.

"3rd. The fact that many of these societies cannot be trusted to wind themselves up without inspection.

"4th. That as the winding up could be much more inexpensively and quickly done by the officers of the society, if honest, the winding up should be left to the societies, unless complaint is made after a reasonable time has elapsed by (say three) aggrieved members, in which case the winding up (if cause of complaint deemed worthy by the registrar) should be conducted by the registrar (if with the help of an actuary), or by, say, the accountant in bankruptcy for Scotland.

"5th. That it is an iniquity to allow a registrar to give any certificate of legality to a society whose rules are intended to carry out a scheme financially unsound."

[NOTE.—These extracts are taken from a copy of my letter. Mr. Forbes' letter was sent with it, and is now in the hands of the Commission.—G. C.]

ABSTRACT of BALANCE SHEET of INVERNESS BUILDING ASSOCIATION, a terminating society, intended to be wound up in 10 years from October 15th, 1849, but still (1871) existing.
Date of balance sheet, June 18th, 1864.

Liabilities:	£	s.	d.	£	s.	d.
I. Due to investing members who are not in arrear -	-	-	900	6	0	
Interest on above from Dec. 10th 1862 to June 18th 1864, at 5 per cent. -	-	-	68	11	0	
				968	19	0
II. Due to three investing members who are in arrear -	-	-	125	0	0	
Interest as above -	-	-	9	10	5	
				134	10	5
III. Due to representatives of deceased member -	-	-	14	16	0	
IV. Due to Donald Robertson -	-	-	-	1	14	10
V. Due to two unadvanced members, as by award of Mr. Greig -	-	-	-	-	-	99 16 11
VI. Probable (?) balance -	-	-	-	-	-	462 5 7
				£1,682	2	9

Assets:	£	s.	d.
I. To credit in bank -	-	-	949 1 3
II. In treasurer's hands -	-	-	15 11 1
III. Due by three investing members in arrear -	-	-	28 6 8
IV. Due by 17 borrowing members, including 200 <i>l.</i> , value of house taken over by society -	-	-	674 1 4
V. Balance due by directors' liability on defalcation of treasurer, as by award -	-	-	15 2 5
			£1,682 2 9

28. FORM of BOND and DISPOSITION in SECURITY (incorporating Rules) used by *Standard Investment and Building Society.*

I, holding _____ shares in the Standard Property Investment and Land and Building Society, duly enrolled under the provisions of the Acts 6 & 7 Will. 4, c. 32, intitled "An Act for the Regulation of Benefit Building Societies," considering that the said society, in conformity with the rules thereof, which are specially referred to, and held as repeated, has lent and advanced to me the sum of £ _____ sterling, being the ultimate value of said shares, bind and oblige myself, my heirs, executors, and representatives whomsoever, without the necessity of discussing them in their order, to repay the said sum with all consequences, as after-mentioned, to *A., B., and C., &c.*, trustees of the said society, and the survivors and survivor of them, and their successors in office, any two being a quorum while more than two are alive and acting, but in trust always for behoof of said society, and to the assignees and disponees of the said trustees; and that within the office of the said society in Edinburgh, upon the _____ years' scale of instalments or repayments, being at the rate of £ _____ per annum, payable half yearly in two equal portions, beginning the first of the half-yearly instalments of £ _____ on the _____ day of _____ 18 _____, for the six months preceding, and the next of the said half-yearly instalments on the _____ day of _____ thereafter, and so forth half yearly at each of these dates during the currency of the said _____ years, making _____ half-yearly payments in all, of all which I hereby bind and oblige myself and my foresaids to make payment accordingly; and in the event of the rate of interest on cash accounts with the bank of Scotland during the currency of this advance exceeding five per cent., I bind and oblige myself and my foresaids to pay to the said trustees and their foresaids such additional instalment over and above the foresaid instalments as may be assessed upon me by the directors of said society in respect of such excess of interest, and that so soon as such additional instalment may be declared, together with a fifth part more of said several instalments of liquidate penalty in case of failure in the punctual payment thereof; and further, in case of failure in the punctual payment of any of the said instalments within one month after the same shall respectively become due, I bind and oblige myself and my foresaids to make payment to the said trustees and their foresaids of interest at the rate charged for the time being by the bank of Scotland on cash credit accounts, on such instalments respectively after they become due till paid; and, further, I bind and oblige myself and my foresaids to make payment to the said trustees and their foresaids of the yearly premium and duty requisite for keeping up an insurance to be effected in their names of the subjects herein-after disposed, against loss by fire to the extent of at least £ _____, in any insurance company selected by them, together with interest thereon at the same rate as for non-punctual payment of the foresaid instalments, and also to keep said subjects in good and sufficient repair, to the satisfaction of the said trustees and their foresaids, and duly to pay all feu duties, entries, burdens, and taxes of every description, and any other sums which may be exigible in respect of the said subjects; and, further, to repay to the said trustees and their foresaids all disbursements by them in respect of said subjects, with interest

thereon as exigible for non-punctual payment of the foresaid instalments; and in security of the whole obligations before written, limited always the said society to the said principal sum and one fifth part more thereof, I dispose to the said *A., B., and C., &c.*, as trustees foresaid, and their foresaids, heritably but redeemably as after-mentioned, yet irredeemably in the event of a sale by virtue hereof, all and whole (*description of property*):

And that in real security to the said trustees and their foresaids, of the whole sums of money before written, principal, instalments, interest, insurance, disbursements, penalties, and others: And I assign the rents, and in case I shall fall three months into arrear in the payment of any of the said instalments, I grant full power and authority to my said disponees and their foresaids to enter into possession of the said subjects and others hereby disposed, intronit with, uplift, and discharge the rents, mails, and duties thereof, to appoint factors thereon, out-put and in-put tenants and possessors, grant leases, and give up and resume possession, and they shall not be liable for omissions, insolvency of tenants, or in exact diligence, but only for actual intrusions; and such entry may be without legal process, and on a letter from the managing director or secretary of the society, addressed to me or my foresaids if the address is known, or to the proprietor of the subjects for the time, but without prejudice to all legal procedure competent: And I assign the writs, and have delivered the same, so far as in my possession, to be retained till complete repayment be made: And I grant warrantice; and I reserve power of redemption: And I oblige myself for the expenses of assigning and discharging this security, as well as for all other expenses to be incurred by my said disponees or their foresaids in the premises, and in the event of my allowing any of the said instalments to fall three months into arrear, I grant power of sale, and farther declare that it shall then be lawful to and in the power of the said trustees, without any notice to me or my foresaids, to advertise said subjects for sale, in whole or in part, in such newspapers or newspaper, and for such number of times, as they shall think fit, and thereafter to sell the same by public roup or by private bargain, at such price or prices, at such time or times, at such place and under such conditions of sale, as the said trustees shall direct, and to grant dispositions and all other necessary deeds; and I bind myself and my foresaids to ratify any sale or sales so made, and to grant absolute dispositions and all other deeds necessary: And it is hereby declared and agreed that a certificate, under the hand of the managing director or secretary for the time being of the said society, shall be legal, and the only competent and admissible evidence of the amount that shall at any time be due under these presents, either by the said society to me or by me to the said society, and of any intimation or notice, or advertisement relative to the premises, having been made or given: And that any sale or sales to be made and dispositions or other deeds to be granted by the said trustees shall be valid and effectual to the purchaser or purchasers, notwithstanding any irregularity, omission, or error in any of the steps of procedure, and shall be as valid and effectual in all respects as if the said trustees were absolute proprietors of said subjects: And I consent to the registration hereof, for preservation and execution. In witness whereof.

29. Form of Bond and Disposition in Security (Incorporating Rules) used by the *Scottish Property Investment Company*.

I, _____, member or shareholder in the society or company called the *Scottish Property Investment Company*, duly enrolled under the provisions of the Act of Parliament 6 & 7 Will. 4. c. 32, intituled "An Act for the Regulation of Benefit Building Societies;" considering that the directors of said company have, in conformity with the rules and out of the funds thereof, instantly advanced and paid to me the sum of _____, being the amount or ultimate value of _____ shares of 25*l.* each, held by me in said company, of which I hereby acknowledge the receipt, therefore I do hereby bind and oblige myself, and my heirs, executors, and representatives whomsoever, without the necessity of discussing them in their order, to pay within the office of the said society or company at Edinburgh, for the time being, to *A., B., and C., &c.*, trustees of the said company, and the survivors and survivor of them, and their successors in office, to be appointed in manner stated in the rules of said company, and to the assignees of the said trustees or trustee, or of their quorum as after mentioned, the sum of _____ per annum, in 26 equal fortnightly instalments or payments each year, in terms of the said rules, beginning the first of said fortnightly payments as on Tuesday the _____ day of _____ 18____ for the fortnight succeeding; and so on, fortnightly on each alternate Tuesday thereafter in advance, for the period of _____ years from and after the said _____ day of _____ 18____ the last of said fortnightly payments being due and exigible on the _____ day of _____ 18____, together with a fifth part more of said several instalments of liquidate penalty in case of failure in the punctual payment thereof: And further in case of failure in the punctual payment of each of the said instalments within two fortnights after the same shall respectively become due, I bind and oblige myself and my foresaids to make payment to the said trustees and their foresaids of the sum of _____ for each of said instalments, and that for each and every fortnight the same shall respectively remain unpaid after the expiry of the said two fortnights after the same shall have respectively become due during the first half year such instalments may respectively remain unpaid, the sum of _____ for each of said instalments for each fortnight during the second half year the same respectively may remain unpaid, the sum of _____ for each of said instalments for each fortnight during the third half year the same respectively may remain unpaid, and so on increasing by the sum of _____ per fortnight for each of said instalments, and for each succeeding half year the same respectively may remain unpaid, and proportionally for any part or portion of said periodical instalments that may remain unpaid, and that in name of fines for not punctual payment in terms of said rules, or otherwise as and for interest on said instalments; and which several sums shall be due and exigible not as penalty but as matter of special contract over and above said instalments themselves: And further, I bind and oblige myself and my foresaids to make payment to the said trustees and their foresaids of the sum of _____ sterling at _____ yearly, so long as these presents shall remain undischarged, to enable them to pay the premium on an insurance, to be effected in their names, of the subjects after disposed, against fire, to the extent of at least _____ with fines or interest thereon according to the same rules or rate as for not punctual payment of the foresaid instalments; and also to keep said subjects in a good and sufficient state of repair to the satisfaction of the said trustees, and to repay to them all disbursements that may be made by them in respect of said subjects, with fines or interest corresponding thereto, in the same way as are exigible for not punctual payment of the foresaid periodical instalments, and to implement and fulfil the whole of the stipulations and provisions contained in the said rules, so far as incumbent on me: And in security of the obligations before written, I do hereby dispose, to *A., B., and C., &c.*, trustees foresaid, and to the survivors and survivors of them, and their successors in office to be appointed as aforesaid, any two of the said trustees before named, or to be appointed as aforesaid, while there are more than two surviving, being always a quorum, but in trust always for behoof of the whole members of said society or company, and to the assignees or disponees of the said trustees or trustee, heritably, but redeemably as after mentioned, yet irredeemably in the event of a sale by virtue hereof (*Description of property*):

And that in real security to the said trustees, and the survivors and survivor of them, and their successors in

office, and their or his foresaids, of the whole several sums of money before written, principal, fines; or interest, insurance, disbursements, or penalties; and I assign the rents; and I grant full power and authority to my said disponees and their foresaids, in case I shall fall into arrear in the payment of the said fortnightly instalments, fines, or interest, insurance, or of any disbursement made by the said trustees in respect of said subjects (which they are hereby authorised to make) to the extent of

or upwards, to enter into possession of the said several subjects and others hereby disposed, intronit with, uplift and discharge the rents, mails, and duties thereof during the not redemption hereof, appoint factors for managing the same, with suitable remuneration for their trouble, and output and input tenants and possessors thereof, including myself if in the actual possession of said subjects, or to constitute me their tenant therein, if in the occupation of the premises, at such rent, and from such preceding term as they shall think fit, grant leases thereof, and also give up possession and resume the same at pleasure, they being always accountable to me for their intermissions with the said rents, as the same shall be instructed by the writ or oath of the manager or treasurer of the said company for the time being, after deduction of the whole sums laid out or expended by them in any way concerning the premises or otherwise; declaring that they shall not be liable for their omissions, nor for the insolvency of tenants, nor for not doing exact diligence, but only for their own actual intronissions, under deduction as aforesaid; and the said trustees and their aforesaids shall be entitled to enter into possession of said subjects, and do the other acts before mentioned, without any legal process whatever, except by a letter under the hand of the secretary of the said company for the time being, put into the post office addressed to me or my foresaids, according to our address as entered in the books of said company, intimating the intention of the said trustees or the directors of said company to enter into possession as aforesaid, without prejudice, however, to the said trustees taking all other steps competent by law or otherwise for entering into possession; and I assign the writs, and have delivered the same; and I grant warrandice; and I reserve power of redemption at any time on my giving two months' notice in writing to the manager for the time being of the said company, addressed to him at the office in Edinburgh of the said company, and on payment by me in one sum of the value at the time of the future payments remaining to be made by me in terms hereof (such value to be calculated in terms of the 13th of the rules of said company, certified by the Registrar of Friendly Societies in Scotland on the 11th June 1860, and table appended to said rules), together with all arrears that may be due by me, and all fines and penalties that may be due and incurred by me, and all disbursements that may have been made, or expenses that may have been or may be incurred, judicial or extrajudicial, by the said trustees in regard to these presents, or the subjects before disposed, and interest thereof; and I oblige myself for the expenses of assigning and discharging this security; and in the event of my failing to pay said fortnightly instalments or payments, fines or interests, insurance, or disbursements made by the said trustees, and allowing the same, or any or all of them, to be in arrear to the extent of

or upwards, I grant power of sale, and declare that it shall be lawful to the said trustees forthwith, or at any time they may think fit, and without any action of declarator or other process of law whatever, or notice to me or my aforesaid, to advertise said subjects for sale, in whole or in part, in such newspapers or newspaper and for such number of times as they shall think fit, and thereafter to sell the same by public roup or by private contract or sale, at such price or prices, at such place, and under such conditions of sale as the said trustees shall direct, and to that end to enter into articles of roup, grant dispositions, containing all usual and necessary clauses, and in particular a clause binding me and my foresaids in absolute warrandice of such dispositions, and obliging me and my foresaids to confirm the same, and to grant all deeds and securities requisite or necessary by the law of Scotland for rendering such sale or sales effectual, in the same way and as amply as I could do myself; which proceedings shall be valid and effectual, whether the debtors herein for the time being shall be of full age, or in pupilarity or minority, or subject to any legal incapacity; and such sale or sales shall be equally good to the purchaser or purchasers as if made by myself; and it shall be lawful to the said trustees, to prorogate or adjourn the day of sale from time to time, and on such advertisements as they shall think fit; and I bind myself and my foresaids to ratify, approve of, and confirm any sale or sales that may be made in virtue hereof, and to

grant absolute and irredeemable dispositions of the said subjects and others to the purchasers or purchaser, their heirs or assignees, and to execute and deliver all other deeds and writings necessary for rendering their rights complete; declaring that on a sale of said subjects the said trustees shall be bound to account to me for any balance that may remain in their hands after deducting from the price or prices to be obtained by them the sum on payment of which, at the time of their receiving said price, I might have redeemed said subjects as aforesaid, and all expenses, judicial or extrajudicial, incurred by them in the said sale, or in relation thereto; and, on the other hand, if the said price shall be inadequate to meet the said sum, on payment of which I might have redeemed said subjects, and all expenses as aforesaid, I shall be bound to make payment to the said trustees in one sum of whatever balance may remain due to them, with interest thereon at the rate of 5l. per centum per annum till paid; and it is hereby declared and agreed for the purposes hereof that a certificate under the hand of the secretary for the time being of the said company shall be legal, and the only admissible evidence of the amount that shall at any time be due by me under these presents to the said company, and of any intimation or notice hereby required to be made or given to me or my foresaids having been made or given, addressed or posted; but it is hereby specially provided and declared that no purchaser or purchasers from the said trustees shall have any concern with the accuracy or truth of the statements contained in such certificate, or with the terms thereof, or with the application of the price or prices to be paid by him or them, and such sale or sales shall be valid and effectual to such purchaser or purchasers, notwithstanding of the want of any such certificate, or of any error therein, or of any want of compliance with, or any irregularity or omission in all or any of the steps of procedure before specified, the same being applicable only as between me and the said trustees and their foresaids, and in no way affecting a purchaser or purchasers; and all such dispositions shall be as valid and effectual in all respects as if the said trustees were absolute proprietors of said subjects, free from all the provisions and requirements before specified; and I consent to registration hereof for preservation and execution. In witness whereof,

all sums which may be disbursed by the said trustees and their foresaids in the premises as after mentioned, which several disbursements I shall be bound to repay on demand with interest as after mentioned; and in security of the personal obligation before written I dispose to and in favour the said E. F., G. H., and I. J., and their foresaids as trustees aforesaid, any two of whom for the time being to be always a quorum, and that in trust always and for behoof of the said society, and to the assignees and disponees of the said trustees heritably but redeemably as after mentioned, yet irredeemably in the event of a sale by virtue hereof, all and whole (*here follows description of subjects*): And that in real security to the said trustees and their foresaids of the whole sums of money above written, principal, interest, penalties, and others, and also of all sums of money which may be disbursed by the said trustees or their foresaids in executing and recording these presents, in levying the rents, in paying a factor, in making necessary meliorations and repairs upon the said subjects and others, in insuring the same against loss by fire to the extent at least of the foresaid principal sum, in paying the public and parish burdens, and in any other way, in relation to the premises, and in virtue of the rules of the said society, and the interest of these disbursements at the rate of per centum per annum, from the several dates of such disbursements, as their amount and date shall be ascertained by the account of the disbursers, and their oath thereto, if required, in place of all other proof: And I assign the rents, and I reserve power of redemption, and I oblige myself for the expenses of assigning and discharging this security; and on default in payment I grant power of sale, and without prejudice to these presents I hereby ratify and confirm the rules of the said society, all which are hereby expressly reserved entire and adopted as binding upon me and my foresaids, notwithstanding of these presents being conceived in the form proper for such instruments, as an additional security in the premises: And further I hereby expressly declare that the said trustees and their foresaids, in calling up the foresaid bond, and realising, disposing of, and selling or intromitting with the subjects, and others before disposed, and rents and proceeds thereof, shall have it in their option, and they are hereby specially empowered either to do so under the powers and provisions of the "Titles to Land Consolidation (Scotland) Act, 1868," and any other statutes applicable or that may become applicable in the premises, or of the rules of the said society for the time, and the sale or sales so effected by them shall be good and effectual to the purchasers and liable to no objection at the instance of me or my foresaids; and immediately on said sale taking place, the right of reversion competent to me and my foresaids in manner herein mentioned shall for ever thereafter cease and be extinguished, declaring that the purchaser or purchasers shall be in no ways concerned with the application of the price or prices or any part thereof, or with any of the conditions herein contained, but said sale shall be equally good, valid, and sufficient as if made by me or my foresaids: And I bind and oblige myself and my foresaids to ratify and confirm any sale or sales that may be made in virtue hereof, either under and in virtue of the said Acts, or the rules of the said society, and to grant and concur in the articles of roup and the disposition to the purchasers, and to execute and deliver all other deeds and writings necessary for rendering their rights complete, and that when called upon to do so. And I consent to the registration for preservation and execution. In witness whereof,

30. FORM OF BOND AND DISPOSITION IN SECURITY giving reference to the rules of a society, as suggested by Mr. C. B. Atkman, Law Agent of the *Equitable Heritable Property Investment and Building Society of Glasgow*.

I, A. B., merchant in Glasgow, a shareholder and member holding shares in the Property Investment Society, duly enrolled under the provisions of the Act 6 & 7 Will. 4. cap. 32, intituled "An Act for the Regulation of Benefit Building Societies," grant me to have instantly borrowed and received from the said society by the hands of C. D. the manager and treasurer thereof for the time being, and that out of the funds of that society, and conform to the rules thereof, which are hereby specially referred to and held, as repeated, the sum of £ sterling, which sum I hereby without prejudice to said rules and conditions thereof, but in corroboration and further security of the same, *et accumulando jura jurebus*, bind myself, my heirs, executors, and representatives whomsoever, without the necessity of discussing them in their order, to repay to E. F., G. H., and I. J., being the present trustees of the said society, and to the survivors or survivor of them, and to such other person or persons as may be appointed to act along with or after them, and their and any of their successors in office as trustees aforesaid, any two of such trustees for the time being to be always a quorum, and that in trust always and for behoof of the said society, and to the assignees and disponees of the said trustees, at the term of 187 , within with a fifth part more of liquidate penalty in case of failure, and the interest of the said principal sum at and after the rate of per centum per annum from the date hereof to the said term of payment, and half yearly, termly, and proportionally thereafter during the not payment of the same, and that at two terms in the year, Whitunday and Martinmas, by equal portions, beginning the first term's payment of the said interest at the term of 18 , for the interest due preceding that date, and the next term's payment thereof at following, and so forth half-yearly, termly, and proportionally thereafter during the not payment of the principal sum, with a fifth part more of the interest due at each term of liquidate penalty in case of failure in the punctual payment thereof, together also with

31. PERSONAL BOND taken by *Standard Investment Society* when the conveyance of the property is taken to the society.

I, holding in the Standard Property Investment and Land and Building Society, duly enrolled under the provisions of the Act 6 & 7 Will. 4. c. 32, intituled "An Act for the Regulation of Benefit Building Societies," considering that the said society has advanced and paid to me the sum of sterling, being the ultimate value of said shares, grant me to have instantly borrowed and received from A., B., C., &c. trustees of said society, the said sum of , of which I hereby acknowledge the receipt:

And for the further security of the said trustees, and without hurt or prejudice to the foresaid conveyance in their

favour, but in addition thereto, I do hereby bind and oblige myself, my heirs, executors, and representatives whomsoever, without the necessity of discussing them in their order, to repay to the said trustees, and the survivors or survivor of them, and their successors in office, any two being a quorum, while two or more are alive and acting, and to their assignees, but in trust always for behoof of the said society, and that within the office of the said society in Edinburgh, the said principal sum of _____ upon the _____ years' scale of instalments or repayments, being at the rate of _____ per annum, payable _____ beginning the first of the said _____ instalments on the _____ day of _____ for the _____ instalments preceding, and the next of the said _____ instalments on the _____ day of _____ thereafter, and so forth during the currency of the said _____ years, making _____ payments in all, of all which I hereby bind and oblige myself and my foresaids to make payment accordingly; and in the event of the rate of interest on cash accounts with the Bank of Scotland during the currency of this advance exceeding five per cent., I bind and oblige myself and my foresaids to pay to the said trustees and their foresaids such additional instalments over and above the foresaid instalments as may be assessed upon me by the directors of said society in respect of such excess of interest, and that so soon as such additional instalments may be declared, together with a fifth part more of said several instalments (including additional instalments) of liquidate penalty in case of failure in the punctual payment thereof: And further, in case of failure in the punctual payment of any of the said instalments within one month after the same shall respectively become due, I bind and oblige myself and my foresaids to make payment to the said trustees and their foresaids of interest at the rate of five per cent. per annum, or at such higher rate as may be charged for the time being by the Bank of Scotland on cash credit accounts, on such instalments respectively after they become due till paid: And further, I bind and oblige myself and my foresaids to make payment to the said trustees and their foresaids of the yearly premium and duty requisite for keeping up an insurance, to be effected in their names, of the subjects and others before mentioned, against loss by fire to the extent of at least _____ with such insurance company as may be selected by the said trustees or their foresaids, together with interest thereon, at the same rate as for not punctual payment of the foresaid instalments, and also to keep said subjects in good and sufficient repair to the satisfaction of the said trustees, and duly to pay all feu duties, entries, burdens, and taxes of every description, and any other sums in reference to any of these which may be exigible in respect of the said subjects; and further, to repay to the said trustees and their foresaids all disbursements that may be made by them in respect of said subjects, with interest thereon as exigible for not punctual payment of the foresaid instalments: And in case I shall fall three months into arrear in the payment of any of the said instalments, and the said trustees or their foresaids, not being at the time in the actual possession and management of said subjects, I grant full power and authority to my said disposes and their foresaids to enter into possession of the said subjects, intronit with, uplift, and discharge the rents, malls, and duties thereof, appoint factors for managing the same, with suitable remuneration, output and input tenants and possessors thereof, including myself if in the actual possession of said subjects, grant leases thereof, and also to give up possession and resume the same at pleasure, they being always accountable to me and my foresaids for their intrusions, as the same shall be instructed by the writ or oath of the accountant or cashier of the said society for the time being, after deduction of the whole sums laid out or expended by them: Declaring that they shall not be liable for omissions, nor for the insolvency of tenants, nor for not doing exact diligence, but only for their own actual intrusions; and, further, in the event of my allowing any of the said instalments to fall three months into arrear, it shall be lawful to and in the power of the said trustees, without any action of declarator, or any other process of law whatever, or notice to me or my foresaids, to advertise such subjects for sale, in whole or in part, in such newspapers or newspaper, and for such number of times, as they shall think fit, and thereafter to sell the same by public roup or by private bargain, at such price or prices, at such time or times, at such place, and under such conditions of sale as the said trustees shall direct; and, to that end, to enter into articles of roup or missives of sale, grant dispositions containing all usual and necessary clauses, which proceedings shall all be valid and effectual, whether the debtors herein for the time being shall be of full age, or in pupillarity or minority, or subject to any legal incapacity, or shall be dead or reputed dead, without any known legal

representative; and such sale or sales shall be good and effectual to the purchaser or purchasers, and liable to no objection at the instance of me or my foresaids; and it shall be lawful to the said trustees to prorogate or adjourn the day of sale from time to time, and on such advertisement as they shall think fit: Declaring that, on a sale of said subjects, the said trustees or their foresaids shall be bound to account to me for any balance that may remain in their hands after deducting from the price to be obtained by them the sum on payment of which, at the time of their receiving said price, I might have redeemed said subjects as aforesaid, and all expenses incurred by them; and if the said price shall be inadequate to meet the said sum on payment of which I might have redeemed said subjects and all expenses as aforesaid, I shall be bound immediately to make payment to the said trustees in one sum of whatever balance may remain due to them, with interest thereon at the rate herein-before specified as to failure in payment of instalments: And it is hereby declared and agreed, for the purposes hereof, that a certificate, under the hand of the managing director, or cashier, or secretary for the time being of the said society, shall be legal, and the only competent and admissible evidence of the amount that shall at any time be due under these presents, either by the said society to me or by me to the said society, and of any intimation or notice hereby required to be made or given having been so made or given: And it is hereby specially provided and declared that no purchaser or purchasers from the said trustees shall have any concern with such certificate, or with the rules of said society, or with the application of the price or prices to be paid by him or them; and such sale or sales shall be valid and effectual to such purchaser or purchasers, notwithstanding the want of any such certificate, or any error therein, or of their being no arrear or no sufficient arrear of instalments due, or any want of compliance with or any irregularity or omission in all or any of the steps of procedure, or on any other ground whatever, these in no way affecting a purchaser or purchasers, and these presents shall in no way derogate from the powers conferred on the said society by the said conveyance, but shall be additional thereto: And I consent to the registration hereof for preservation and execution. In witness whereof,

32. MINUTE of AGREEMENT (back letter) taken by Scottish Savings Investment and Building Society when ordinary statutory form of bond and disposition is recorded.

Glasgow 18
Minute or memorandum relative to the advance of £ _____ obtained by Mr. _____ from the Scottish Savings Investment and Building Society.
The said _____ having of this date obtained an advance of _____ pounds from the said society as the amount of _____ shares held by him therein, and granted a bond and _____ for said sum, over his property situated in _____ to the trustees of said society in security of said advance, interest, and expenses: It is hereby declared that notwithstanding of said bond and _____ in security being in the usual terms, as regards the date of payment of the principal sum and interest, it is nevertheless understood that the same shall not be enforced by the directors or manager of said society as long as the said _____ shall continue the regular payment of the instalments, interest, and other sums to become due upon his said shares, in terms of the rules of the said society, but declaring that in the event of his failure to pay his said instalments, interest, and other sums stipulated in the said rules, it shall be in the power of the directors or manager of said society for the time either to enforce the terms of said bond, and _____ in security, or the rules of the said society, as they may think proper.

33. FORM of MINUTE of AGREEMENT used by Equitable Heritable Investment and Building Society, when a bond and disposition in the statutory form has been recorded.

Minute or memorandum relative to the advance of £ _____ obtained by _____ from the Equitable Heritable Property Investment Society.
The said _____ having of this date obtained an advance of _____ from the said society upon the amount of _____ shares held by him therein, and granted a bond and disposition in security for said sum over his property situated _____ to the trustees of said society in security of said advance, interest, and expenses: It is

grant absolute and irredeemable dispositions of the said subjects and others to the purchasers or purchaser, their heirs or assignees, and to execute and deliver all other deeds and writings necessary for rendering their rights complete; declaring that on a sale of said subjects the said trustees shall be bound to account to me for any balance that may remain in their hands after deducting from the price or prices to be obtained by them the sum on payment of which, at the time of their receiving said price, I might have redeemed said subjects as aforesaid, and all expenses, judicial or extrajudicial, incurred by them in the said sale, or in relation thereto; and, on the other hand, if the said price shall be inadequate to meet the said sum, on payment of which I might have redeemed said subjects, and all expenses as aforesaid, I shall be bound to make payment to the said trustees in one sum of whatever balance may remain due to them, with interest thereon at the rate of 5l. per centum per annum till paid; and it is hereby declared and agreed for the purposes hereof that a certificate under the hand of the secretary for the time being of the said company shall be legal, and the only admissible evidence of the amount that shall at any time be due by me under these presents to the said company, and of any intimation or notice hereby required to be made or given to me or my foresaids having been made or given, addressed or posted; but it is hereby specially provided and declared that no purchaser or purchasers from the said trustees shall have any concern with the accuracy or truth of the statements contained in such certificate, or with the terms thereof, or with the application of the price or prices to be paid by him or them, and such sale or sales shall be valid and effectual to such purchaser or purchasers, notwithstanding of the want of any such certificate, or of any error therein, or of any want of compliance with, or any irregularity or omission in all or any of the steps of procedure before specified, the same being applicable only as between me and the said trustees and their foresaids, and in no way affecting a purchaser or purchasers; and all such dispositions shall be as valid and effectual in all respects as if the said trustees were absolute proprietors of said subjects, free from all the provisions and requirements before specified; and I consent to registration hereof for preservation and execution. In witness whereof,

30. FORM OF BOND AND DISPOSITION IN SECURITY giving reference to the rules of a society, as suggested by Mr. C. B. Atkman, Law Agent of the *Equitable Heritable Property Investment and Building Society of Glasgow*.

I, A. B., merchant in Glasgow, a shareholder and member holding shares in the Property Investment Society, duly enrolled under the provisions of the Act 6 & 7 Will. 4. cap. 32, intituled "An Act for the Regulation of Benefit Building Societies," grant me to have instantly borrowed and received from the said society by the hands of C. D. the manager and treasurer thereof for the time being, and that out of the funds of that society, and conform to the rules thereof, which are hereby specially referred to and held, as repeated, the sum of £ sterling, which sum I hereby without prejudice to said rules and conditions thereof, but in corroboration and further security of the same, *et accumulando jura jurius*, bind myself, my heirs, executors, and representatives whomsoever, without the necessity of discussing them in their order, to repay to E. F., G. H., and I. J., being the present trustees of the said society, and to the survivors or survivor of them, and to such other person or persons as may be appointed to act along with or after them, and their and any of their successors in office as trustees aforesaid, any two of such trustees for the time being to be always a quorum, and that in trust always and for behoof of the said society, and to the assignees and disponees of the said trustees, at the term of 187 , within with a fifth part more of liquidate penalty in case of failure, and the interest of the said principal sum at and after the rate of per centum per annum from the date hereof to the said term of payment, and half yearly, termly, and proportionally thereafter during the not payment of the same, and that at two terms in the year, Whiteunday and Martinmas, by equal portions, beginning the first term's payment of the said interest at the term of 18 , for the interest due preceding that date, and the next term's payment thereof at following, and so forth half-yearly, termly, and proportionally thereafter during the not payment of the principal sum, with a fifth part more of the interest due at each term of liquidate penalty in case of failure in the punctual payment thereof, together also with

all sums which may be disbursed by the said trustees and their foresaids in the premises as after mentioned, which several disbursements I shall be bound to repay on demand with interest as after mentioned; and in security of the personal obligation before written I dispose to and in favour the said E. F., G. H., and I. J., and their foresaids as trustees aforesaid, any two of whom for the time being to be always a quorum, and that in trust always and for behoof of the said society, and to the assignees and disponees of the said trustees heritably but redeemably as after mentioned, yet irredeemably in the event of a sale by virtue hereof, all and whole (*here follows description of subjects*): And that in real security to the said trustees and their foresaids of the whole sums of money above written, principal, interest, penalties, and others, and also of all sums of money which may be disbursed by the said trustees or their foresaids in executing and recording these presents, in levying the rents, in paying a factor, in making necessary meliorations and repairs upon the said subjects and others, in insuring the same against loss by fire to the extent at least of the foresaid principal sum, in paying the public and parish burdens, and in any other way, in relation to the premises, and in virtue of the rules of the said society, and the interest of these disbursements at the rate of per centum per annum, from the several dates of such disbursements, as their amount and date shall be ascertained by the account of the disbursers, and their oath thereto, if required, in place of all other proof: And I assign the rents, and I assign the writs, and I grant warrantice, and I reserve power of redemption, and I oblige myself for the expenses of assigning and discharging this security; and on default in payment I grant power of sale, and without prejudice to these presents I hereby ratify and confirm the rules of the said society, all which are hereby expressly reserved entire and adopted as binding upon me and my foresaids, notwithstanding of these presents being conceived in the form proper for such instruments, as an additional security in the premises: And further I hereby expressly declare that the said trustees and their foresaids, in calling up the foresaid bond, and realising, disposing of, and, selling or intromitting with the subjects, and others before disposed, and rents and proceeds thereof, shall have it in their option, and they are hereby specially empowered either to do so under the powers and provisions of the "Titles to Land Consolidation (Scotland) Act, 1868," and any other statutes applicable or that may become applicable in the premises, or of the rules of the said society for the time, and the sale or sales so effected by them shall be good and effectual to the purchasers and liable to no objection at the instance of me or my foresaids; and immediately on said sale taking place, the right of reversion competent to me and my foresaids in manner herein mentioned shall for ever thereafter cease and be extinguished, declaring that the purchaser or purchasers shall be in no ways concerned with the application of the price or prices or any part thereof, or with any of the conditions herein contained, but said sale shall be equally good, valid, and sufficient as if made by me or my foresaids; And I bind and oblige myself and my foresaids to ratify and confirm any sale or sales that may be made in virtue hereof, either under and in virtue of the said Acts, or the rules of the said society, and to grant and concur in the articles of roup and the disposition to the purchasers, and to execute and deliver all other deeds and writings necessary for rendering their rights complete, and that when called upon to do so. And I consent to the registration for preservation and execution. In witness whereof,

31. PERSONAL BOND taken by *Standard Investment Society* when the conveyance of the property is taken to the society.

I, holding in the Standard Property Investment and Land and Building Society, duly enrolled under the provisions of the Act 6 & 7 Will. 4. c. 32, intituled "An Act for the Regulation of Benefit Building Societies," considering that the said society has advanced and paid to me the sum of sterling, being the ultimate value of said shares, grant me to have instantly borrowed and received from A., B., C., &c. trustees of said society, the said sum of , of which I hereby acknowledge the receipt:

And for the further security of the said trustees, and without hurt or prejudice to the foresaid conveyance in their

favour, but in addition thereto, I do hereby bind and oblige myself, my heirs, executors, and representatives whomsoever, without the necessity of discussing them in their order, to repay to the said trustees, and the survivors or survivor of them, and their successors in office, any two being a quorum, while two or more are alive and acting, and to their assignees, but in trust always for behoof of the said society, and that within the office of the said society in Edinburgh, the said principal sum of _____ upon the _____ years' scale of instalments or repayments, being at the rate of _____ per annum, payable _____ beginning the first of the said _____ instalments on the _____ day of _____ for the _____ instalments preceding, and the next of the said _____ instalments on the _____ day of _____ thereafter, and so forth during the currency of the said _____ years, making _____ payments in all, of all which I hereby bind and oblige myself and my foresaids to make payment accordingly; and in the event of the rate of interest on cash accounts with the Bank of Scotland during the currency of this advance exceeding five per cent., I bind and oblige myself and my foresaids to pay to the said trustees and their foresaids such additional instalments over and above the foresaid instalments as may be assessed upon me by the directors of said society in respect of such excess of interest, and that so soon as such additional instalments may be declared, together with a fifth part more of said several instalments (including additional instalments) of liquidate penalty in case of failure in the punctual payment thereof: And further, in case of failure in the punctual payment of any of the said instalments within one month after the same shall respectively become due, I bind and oblige myself and my foresaids to make payment to the said trustees and their foresaids of interest at the rate of five per cent. per annum, or at such higher rate as may be charged for the time being by the Bank of Scotland on cash credit accounts, on such instalments respectively after they become due till paid: And further, I bind and oblige myself and my foresaids to make payment to the said trustees and their foresaids of the yearly premium and duty requisite for keeping up an insurance, to be effected in their names, of the subjects and others before mentioned, against loss by fire to the extent of at least _____ with such insurance company as may be selected by the said trustees or their foresaids, together with interest thereon, at the same rate as for not punctual payment of the foresaid instalments, and also to keep said subjects in good and sufficient repair to the satisfaction of the said trustees, and duly to pay all feu duties, entries, burdens, and taxes of every description, and any other sums in reference to any of these which may be exigible in respect of the said subjects; and further, to repay to the said trustees and their foresaids all disbursements that may be made by them in respect of said subjects, with interest thereon as exigible for not punctual payment of the foresaid instalments: And in case I shall fall three months into arrear in the payment of any of the said instalments, and the said trustees or their foresaids, not being at the time in the actual possession and management of said subjects, I grant full power and authority to my said disponees and their foresaids to enter into possession of the said subjects, intromit with, uplift, and discharge the rents, malls, and duties thereof, appoint factors for managing the same, with suitable remuneration, output and input tenants and possessors thereof, including myself if in the actual possession of said subjects, grant leases thereof, and also to give up possession and resume the same at pleasure, they being always accountable to me and my foresaids by the writ or oath of the accountant or cashier of the said society for the time being, after deduction of the whole sums laid out or expended by them: Declaring that they shall not be liable for omissions, nor for the insolvency of tenants, nor for not doing exact diligence, but only for their own actual intrusions; and, further, in the event of my allowing any of the said instalments to fall three months into arrear, it shall be lawful to and in the power of the said trustees, without any action of declarator, or any other process of law whatever, or notice to me or my foresaids, to advertise such subjects for sale, in whole or in part, in such newspapers or newspaper, and for such number of times, as they shall think fit, and thereafter to sell the same by public roup or by private bargain, at such price or prices, at such time or time, at such place, and under such conditions of sale as the said trustees shall direct; and, to that end, to enter into articles of roup or missives of sale, grant dispositions containing all usual and necessary clauses, which proceedings shall all be valid and effectual, whether the debtors herein for the time being shall be of full age, or in pupillarity or minority, or subject to any legal incapacity, or shall be dead or reputed dead, without any known legal

representative; and such sale or sales shall be good and effectual to the purchaser or purchasers, and liable to no objection at the instance of me or my foresaids; and it shall be lawful to the said trustees to prorogate or adjourn the day of sale from time to time, and on such advertisement as they shall think fit: Declaring that, on a sale of said subjects, the said trustees or their foresaids shall be bound to account to me for any balance that may remain in their hands after deducting from the price to be obtained by them the sum on payment of which, at the time of their receiving said price, I might have redeemed said subjects as aforesaid, and all expenses incurred by them; and if the said price shall be inadequate to meet the said sum on payment of which I might have redeemed said subjects and all expenses as aforesaid, I shall be bound immediately to make payment to the said trustees in one sum of whatever balance may remain due to them, with interest thereon at the rate herein-before specified as to failure in payment of instalments: And it is hereby declared and agreed, for the purposes hereof, that a certificate, under the hand of the managing director, or cashier, or secretary for the time being of the said society, shall be legal, and the only competent and admissible evidence of the amount that shall at any time be due under these presents, either by the said society to me or by me to the said society, and of any intimation or notice hereby required to be made or given having been so made or given: And it is hereby specially provided and declared that no purchaser or purchasers from the said trustees shall have any concern with such certificate, or with the rules of said society, or with the application of the price or prices to be paid by him or them; and such sale or sales shall be valid and effectual to such purchaser or purchasers, notwithstanding the want of any such certificate, or any error therein, or of their being no arrear or no sufficient arrear of instalments due, or any want of compliance with or any irregularity or omission in all or any of the steps of procedure, or on any other ground whatever, these in no way affecting a purchaser or purchasers, and these presents shall in no way derogate from the powers conferred on the said society by the said conveyance, but shall be additional thereto: And I consent to the registration hereof for preservation and execution. In witness whereof,

32. MINUTE of AGREEMENT (back letter) taken by Scottish Savings Investment and Building Society when ordinary statutory form of bond and disposition is recorded.

Glasgow 18
Minute or memorandum relative to the advance of £ _____ obtained by Mr. _____ from the Scottish Savings Investment and Building Society.
The said _____ having of this date obtained an advance of _____ pounds from the said society as the amount of _____ shares held by him therein, and granted a bond and _____ for said sum, over his property situated in _____ to the trustees of said society in security of said advance, interest, and expenses: It is hereby declared that notwithstanding of said bond and in security being in the usual terms, as regards the date of payment of the principal sum and interest, it is nevertheless understood that the same shall not be enforced by the directors or manager of said society as long as the said _____ shall continue the regular payment of the instalments, interest, and other sums to become due upon his said shares, in terms of the rules of the said society, but declaring that in the event of his failure to pay his said instalments, interest, and other sums stipulated in the said rules, it shall be in the power of the directors or manager of said society for the time either to enforce the terms of said bond, and _____ in security, or the rules of the said society, as they may think proper.

33. FORM of MINUTE of AGREEMENT used by Equitable Heritable Investment and Building Society, when a bond and disposition in the statutory form has been recorded.

Minute or memorandum relative to the advance of £ _____ obtained by _____ from the Equitable Heritable Property Investment Society.
The said _____ having of this date obtained an advance of _____ from the said society upon the amount of _____ shares held by him therein, and granted a bond and disposition in security for said sum over his property situated _____ to the trustees of said society in security of said advance, interest, and expenses: It is

hereby declared that notwithstanding of said bond and disposition in security being in the usual terms as regards the date of payment of the principal sum and interest, it is nevertheless understood that the interest shall be payable according to the current rate of discount charged from time to time by the banks in Glasgow, so long as the discount rate shall be above 5 per cent., but the interest shall be charged only at 5 per cent. when said bank discount rate is 5 per cent. or under, and it is also understood that the said bond shall not be enforced by the directors or manager of said society, so long as the said *shall* continue the regular payment of the instalments upon his shares, interest according to the foresaid rates, and other sums which may become due in connexion with said advance in terms of the rules of the said society, but declaring that in the event of his failure to pay his said instalments, interest, and other sums above stipulated, and in the said rules, it shall be in the power of the directors or managers of said society for the time either to enforce the terms of the said bond and disposition in security, or the rules of the said society, as they may think proper. In witness whereof.

34. FORM of BOND of CAUTION (in Scotch style) to be given by manager and treasurer of a building society, as suggested by Mr. C. B. Aikman, Law Agent of the Equitable Heritable Investment and Building Society of Glasgow.

I, A.B., having been appointed manager and treasurer of the Building Society, duly enrolled and established under the provisions of the Act 6 & 7 Will. 4. c. 32, intituled "An Act for the Regulation of Benefit Building Societies," and I, C.D., merchant in Glasgow, as cautioner, surety, and full debtor for and with the said A.B., bind and oblige ourselves, conjointly and severally,

our heirs, and executors, that I the said A.B. shall faithfully discharge all the duties of said office of manager and treasurer foresaid, and shall render a just and true account of all moneys received and paid by me, and shall pay all the moneys remaining in my hands, and assign and transfer or deliver all securities and effects, books, papers, and property of or belonging to the said society in my hands or custody to such person or persons as the said society shall appoint according to the rules of the said society, together with the proper or legal receipts or vouchers for such payments, and likewise shall well, truly, and faithfully in all respects perform and fulfil said office of manager and treasurer to said society, according to the rules of the said society: And whatsoever damage, loss, and expense the said society may happen to sustain or incur, in consequence of the non-fulfilment of any of the before written obligations, or in any way through any error, neglect, or fraud of me, the said A.B., we bind and oblige ourselves and our foresaids as aforesaid, jointly and severally to make good and pay to the said society, or their foresaids, and that immediately on such loss, damage, or expense being sustained or incurred, or upon our being called upon to pay or make good the same, with a fifth part more of penalty in case of failure, and interest at the rate of 6l. per cent. per annum, during the not payment: Declaring that this bond shall not be in any way affected, nor shall I, the said C.D., be liberated by any omission, negligence, or want of diligence on the part of the trustees, directors, or other office bearers of said society. (*In case the caution should be wished to be limited, the following clause will be here inserted:—*"And declaring further that this bond, so far as concerns me the said C.D., shall not bind me or my foresaids to a greater extent than the sum of £ to which my obligation before written is hereby limited.") And I the said A.B. bind and oblige myself and my foresaids to free and relieve my said cautioner and his foresaids of their cautionary obligation for me in the premises, and of all the consequences thereof. And we both consent to the registration hereof for preservation and execution. In witness whereof.

Report by E. L. Daniell, Esq., Assistant Commissioner, on Benevolent Building Societies in Ireland.

To Her Majesty's Friendly Societies Commissioners.

GENTLEMEN,

Friendly Societies Commission, Dublin.

1. In Ireland the number of societies registered under the name of Building Societies is, when compared with the rest of the United Kingdom, exceedingly small. In Dublin and its neighbourhood, including Kingstown, I have been able to discover, existing at the present moment, only 5; in Cork 1 only; in Belfast, 7; in Londonderry, 3; and in Coleraine, 1.

Number of societies in Ireland.

2. Small, again, as this number is, I have with regret to report that the purposes for which Building Societies have been established in Ireland have been, still less than in the sister countries, the purpose understood to be that of the Act of 6 & 7 Will. 4. c. 32.

Constitution of Irish Building Societies.

The evidence on this important subject, collected in the First Report of the Commissioners, shows conclusively that in England Building Societies have been without, I believe, any exception—avowedly, at all events—established for the benefit of the industrial classes; their advocates, moreover, claiming that their subsequent enormous enlargement, though it may be opposed to the letter of the Act of 1836, is nevertheless not in opposition to its spirit, but is, on the contrary, an advantage to the working classes.

But in Ireland the majority of these societies, if ever intended to carry out the special purpose of the Act of 1836, have now at least merged into associations which secure the interests of the commercial much more than the industrial classes; Building Societies having, indeed, found but little favour with the working men of this country.

Aware that the knowledge of this fact would cause in the Commissioners a strong desire to discover, and if possible remove, its cause, I have spared no pains to do so, and will further on explain with what result.

3. But before proceeding to inquire either why there are so few of these institutions in Ireland, or how many of them can lay claim to be Building Societies as defined in the Act of 1836, I will first describe what that legislative definition is, premising that the conclusions I have come to on some important points in dispute, are necessarily founded in a great degree upon the evidence contained in the First Report of the Commissioners.

What the term Building Society means.

But although the number of Building Societies is so small in Ireland, it so happens that the past history of one or two of them tends to throw the light of practical experience on points concerning which the Building Societies themselves are at issue.

The wording of the first section of the Act 6 & 7 Will. 4. c. 32, intended to define Building Societies, is extremely confused and disjointed, so much so, that it has required but little ingenuity to draw from it various conclusions, which, though they may not be injurious to the purposes aimed at in the Act, are utterly at variance with its expressed, or rather implied, intention.

But the preamble indicating the object at which the Act aims is fortunately more concise, and somewhat clearer:—

“Whereas certain societies, commonly called Building Societies, have been established in different parts of the kingdom, chiefly among the industrious classes, for the purpose of raising, by small periodical subscriptions, a fund to assist the members thereof in obtaining a small freehold or leasehold property, and it is expedient to afford encouragement and protection to such societies and the small property obtained therewith: Be it therefore enacted, &c.

This preamble is at least clear enough to make the intention of the Legislature sufficiently evident.

In the year 1836, when the Act was passed, the baneful influences of the poor law in demoralising and degrading the working classes, had come to be clearly and painfully recognised.

So much so, that probably the most immediate and essential purpose of the Bill was to endeavour to counteract this downward and degrading tendency, a tendency which did then excite, and does still, in the minds of thinking men, the utmost apprehension; and for which, nevertheless, there has never yet been suggested any remedy with even a plausible claim to averting its demoralising and baneful effects. No remedy which is not worse than the disease; no means of averting this great misery, but the preventive check of still greater misery and suffering.

But in the great co-operative movement of the people, which has been developed since that time, and of which Building Societies form a most important feature, there is every reason to hope that there exists a principle which cannot fail to greatly mitigate, and, when thoroughly understood and carried out, even ultimately to wholly avert, the downward and degrading tendencies of our poor law system.

In this great object of raising the working classes to independence, the part assumed by Building Societies is that of enabling, or greatly helping, them to secure for themselves, out of their weekly earnings, a present and future home. An object of the two perhaps even still more vitally important than securing them food and clothing.

The working man who has once provided his family a permanent roof to shelter them, has exempted himself from the most onerous of all his future payments.

When a sharp time comes, tea, sugar, beer, tobacco, and even food and clothing may be more or less economised and curtailed, according to the severity of the pressure weighing upon him. It is hard to fix the minimum of food on which a human being may be supported for a time, when not called upon for muscular exertion, without positive or permanent injury to the constitution. But rent is inexorable. If from a temporary loss of work, or other misfortune, a working man is unable to pay his rent,

his family may be driven at once into the streets, and become, perhaps, paupers for the rest of their lives.

value of Building Societies.

4. It is hardly possible to overrate the value of institutions which hold out the hope even of sheltering the working man from evils so terrible; and the Legislature of 1836 seems to have so fully recognised and believed in the latent power of properly constituted Building Societies to do this as to pass a special Act for their protection and encouragement; going to the extent of exempting them, in a measure, from what has been said to be a thing as inexorable as death itself—namely, taxes.

Partly, perhaps, from this exemption,* but far more from other causes, a swarm of Building Societies have sprung into existence, some of them with capitals of very large amount, and by far the greater proportion doing business on a scale never certainly contemplated by the Act of 1836.

definition of building societies.

5. With the view of assisting to determine whether these larger associations do fairly come within the spirit of the Act, though contrary to its letter, I will first proceed to define the kind of societies which the Legislature of 1836 thought worthy of encouragement and support.

When a Building Society is first formed, a certain number of presumably solvent men mutually agree to pay in, periodically, to the Society certain settled contributions, until they reach a certain amount, for two specified purposes.

These purposes are:—

1st. The advance of money to one class of members, called borrowing or advanced members, to build or buy a dwelling-house, taking a bond and mortgage as security until the sum advanced has been repaid, with interest, by periodical instalments.

2nd. The receipt of money from another class of members, called investing members, paid in periodically, and lent, when enough has accumulated, to the borrowing member whose turn has come for an advance, which money may be withdrawn with interest, either before or after it has reached a certain amount, called a share.

The legitimate objects of Building Societies thus are: to afford a profitable investment for small sums, and to put the working man into possession of his house, for which he is to pay by future monthly instalments. His rent is thus put out at compound interest and capitalised; the theory being, that at the end of, say, 15 years, his house will have cost him no more than he would have paid his landlord for rent.

These are the legitimate purposes of all Building Societies, whether large or small.†

act of 1836 recognised all payments fully.

6. But the Act of 1836, contemplating the encouragement of the working classes alone, recognised Building Societies as existing on a small scale only. Small, that is as far as regards the individual amounts of the payments made. The preamble reiterates the word "small," "small periodical subscriptions," "to obtain a small freehold or leasehold property."

The advocates for societies which advance or receive money in large amounts may as well, indeed, concede at once that they are not Building Societies according to the strict letter of the law.

This, in fact, they do concede; but they contend at the same time that their being restricted to lending money on house property alone, or in the case of an unavoidable surplus, on securities equally absolute, constitutes them, in the spirit of the Act, essentially Building Societies; the ultimate object of the Act being the encouragement of the effort to obtain a small property, and its protection when obtained.

readiness of aiding societies during a financial crisis from 1862 to 1868.

7. This, they allege, they essentially do; and the doing it, they think, forms the truly important distinction between them and banks of deposit, loan societies, or monetary institutions of any kind which, dealing in money in whatever way their directors may elect, subject their depositors to all the risk and danger of their so doing. That the discounting and other speculative transactions of the great financing firms which, under various names, have caused within the last ten years such wide-spread ruin and misery, compel operations of such a nature as to render secrecy imperative; and that the necessity of this secrecy entitles their boards to claim from their shareholders and depositors implicit confidence and unlimited power, both of which are dangerous.

The public have indeed too painfully seen and felt within the last ten years the consequences of trusting blindly and implicitly to the good faith and prudence of these institutions, and if there had been any evidence of a tendency in managers of Building Societies to advance in this direction, to speculate in any way or invest money in securities other than absolutely safe, it would have been the paramount duty of the Legislature to at once withdraw from them both moral and material encouragement. But there is no evidence whatever that this has been done. The sums entrusted to the managers of Building Societies, whether the savings of the poor or from other sources, seem almost without exception to have been advanced on house property alone. The temptation to buy land even (to which the smaller mutual Bowkett societies, while recognizing its risk, seem to have succumbed) has been, by the larger societies, as a rule, resisted, even though the wording of the Act, "a real or leasehold property," would certainly seem to afford a loophole for investing in this direction. But the witnesses examined by the Commission almost all disavow it as a practice, and while bearing in mind the quite natural and doubtless unconscious tendency to take professional views, the views of men who have made the management of Building Societies their profession, of every subject presented to their minds, it must still in candour be acknowledged that the readiness and cheerfulness with which the representatives of these societies have come forward to submit to what has often been a severe cross-examination on matters hitherto considered so "delicate" that by common consent, if not from absolute necessity, they have been shrouded in mystery, is in itself calculated to inspire much confidence in their assertions and belief in their sincerity.

a large society benefit the working classes.

8. But the question still remains,—the important point of bona fides being conceded,—as to whether a large Society is as well calculated as a small one to further the interests of the working man.

* The exemption chiefly related to stamp duty, the subsequent reduction of which has made it of much less pecuniary value.

† The Bowkett Building Societies advance money without interest, to be repaid in periodical instalments which, when received by the society, are put out at compound interest, and in a long series of years greatly accumulate.

On this point the advocates for large societies contend that the legitimate operations of a Building Society are carried on to more advantage, and more cheaply, on a large scale than on a small one. That amateur management, *i.e.*, the amount of supervision that working men can or will give to the business of their society after their day's work is over, may, under exceptionally favourable circumstances, succeed, but that, as a rule, the interests of all classes of members will be promoted by a society being at least large enough to afford a permanent office, and a moderately paid professional staff, whose special business it is to keep accurate accounts, and attend, without interruption to the interests of the society.

But as the relative claims of large and of small societies to the confidence of the working classes, and to legislative encouragement, will naturally come up, along with other questions, in examining the constitution and management of the Irish Building Societies, I will now proceed to do so.

It is a painful proof of the small estimation in which these institutions are held in Ireland that they do not, throughout the country, amount to 20 in number.

9. Moreover, not only are these societies few in number in Ireland, but the returns prove only too clearly that the proper function of Building Societies, the enabling the working man to provide himself with a present and future home, has not yet been appreciated by the Irish working classes. The proportion of members earning weekly wages who have bought or built houses is unhappily very small, the only Building Society in Ireland in which this desirable feature appreciably exists being the "Coleraine Building and Investment Society."

Building Societies not appreciated by the working classes in Ireland.

Feeling deep regret that among a people with whom the possession of landed property and the love of the soil is almost a passion, these most valuable institutions should not have taken deeper root and flourished, I am glad to be able to lay before the Commissioners the evidence, on this important point, of Dr. Neilson Hancock, a gentleman well known as a writer on social science topics, and whose position in the criminal and judicial department of statistics in Ireland, gives special weight to his opinions.

His evidence, given in the Appendix, would seem well worthy of the consideration of the Commissioners. The more so as the causes he enumerates may be promptly and easily removed.

The Building Societies in Ireland are not in some respects, as I have explained, in a position to throw much light on what ought to be the guiding principles of these institutions, but in other respects they possess features which perhaps may assist in doing so.

The directors and managers are, in most cases, either gentlemen engaged in business, or having other resources which render them independent of Building Societies as a means of subsistence. They have not, on the one hand, made the getting up and management of these societies a profession, nor are they, on the other, a committee of working men trying to hammer out the best rules they can, after the day's work is over. Their opinions, therefore, seem worthy of special consideration as a new and intelligent at least, if not wholly unbiassed, element in the discussion.

The Chairman, for instance, of the "Irish Civil Service" Society, Mr. Owen, who was examined by the Commissioners when in Dublin, is Architect to the Board of Works and President of the Institute of Architects in Ireland. He has also the reputation of being an accomplished mathematician. The tables of the society were framed by himself, and approved of by Mr. Scratchley.

THE BORROWING POWER.

10. On the important subject of "borrowing" the returns from this quarter show that money is now received on deposit, and also obtained by over-drawing the bank account, a guarantee being signed by the directors.

Borrowing powers.

The history of this society bears strong testimony to the necessity, as a rule, of borrowing to carry on the business of a Building Society.

Almost plethoric as it now is in its prosperity, its very existence was, in the beginning, imperilled from the absence of this power. When members wanting houses found that they could only obtain them by waiting until their own subscriptions, and those of the investing members, accumulated, they left the society and obtained money elsewhere; and to prevent collapse it was found necessary to borrow, which was done, as mentioned above, by receiving deposits, or by over-drawing the bank account.

11. The theory of a Building Society is, that the subscriptions of the investing members, and those of the borrowers, should be equal; but in practice this very rarely occurs. The instance of the "Queen's," at Birmingham, justly termed in the First Report a "model society," being as yet, apparently, the only one on record, and even this case, due to some exceptional causes, can, it is feared, be only temporary; but as this equilibrium, which is essential to the working of a Building Society, does not exist naturally,—so to speak,—it must be restored, or created, artificially.

Investing and borrowing members.

To do this, if the depositors and investing members are in excess, the interest paid them must be lowered.

If members wanting an advance exceed the depositors of all kinds, borrowing must of necessity be resorted to.*

12. The experience of the Irish Civil Service Society illustrates somewhat strikingly the truth of this statement.

Irish Civil Service Society

In the beginning the application from members who wanted money to buy or build houses, and who would not wait until their turn came, so far exceeded the sums coming in from investing members that the Society was compelled, against its will, to borrow, to save themselves from collapse.

But of late years the borrowers have been so few compared to those wishing to invest money, that

* I am aware that in the societies which claim to be strictly "mutual," borrowing is never resorted to. The theory of the "Bowkett" societies is, that if the members "through evil report and good report cling to each other," a member will in from 25 to 37 years obtain his house. But practically they have not patience to wait so long. The question "It is clearly for the benefit of the surviving members that a great many men should withdraw" is answered by "Precisely so; it has given an impulse to the society." (First Report, 4168.) One of the collateral advantages of the borrowing power is that it does away with balloting, which in these societies is often so objectionable a feature. It also saves, or ought to save, the borrowing member from a premium on his advance.

the managers have not alone lowered their rate of interest to depositors, but closed their share list against any new investing members.*

It will be seen that the chairman, in fixing this lower limit of the borrowing power, assumes also that the amount borrowed should not exceed one fourth of the sums already advanced and secured to the society by mortgage.

Amounts
already invested
no guide as to
borrowing.

Moreover, the careful perusal of the evidence in the First Report compels the belief that the influential representatives of the Building Societies, examined by the Commissioners, also labour under the impression that the amounts already invested can be assumed as a basis or guide on which to calculate the amount a society may safely be allowed to borrow again.

This erroneous impression, which sufficiently accounts for the differences of opinion and confusion of thought existing even amongst the most experienced promoters of Building Societies on the subject of the borrowing power, would seem to arise from two sources.

First, the latent belief, or assumption, that the amounts advanced, and secured to the society by mortgage, could, if necessary, be realised to pay off creditors of all kinds, including investing members. This belief is entirely without foundation. No Building Society can foreclose, nor creditor force a sale of property mortgaged to the society as long as the borrower pays his subscriptions. The deposits of all kinds are a debt due by the association, and as such are a prior charge upon the receipts; but investing members and lenders ought in each case clearly to understand that they have no legal power of enforcing the withdrawal of their money on short notice, but must, if necessary, wait for it until sufficient subscriptions are paid in.

The according of this privilege, which has sprung up as the result of competition, is a mere pretence, and ought at once to be abolished by all, as it has been by many prudent and conscientious societies.†

The use even of the terms "depositing members," "loans on deposit," &c., should be perhaps done away with entirely by Building Societies; the word "deposit" being, from long usage, so inseparably associated with the privilege of withdrawing money at call, that it will always convey a wrong impression.

Simple mode
of securing the
working
classes.

13. The safest and most simple mode of securing the savings of the working classes would be the requiring that the annual accounts of all Building Societies should be put in such a form as to make it apparent on the face of them to the auditing functionary that the sums put down as advanced have an equivalent amount in mortgages as security for their repayment. Not the mortgages already given to the society to secure sums previously advanced, but mortgages of the new property, to build or buy which an advance is applied for. The impression that the sums already lent by the society, and secured by mortgage, can be reckoned or depended upon as a security for the additional sum the society finds it necessary to borrow would seem to be erroneous.

The mortgages held by the society are a security for sums already received from depositors or investors, and cannot be pledged, either really or virtually, as a security to the new depositor, lender, or investor. To prevent this being done the auditing functionary, at his examination of the yearly accounts of Building Societies should be required, as an essential part of his duty, to satisfy himself by personal inspection in the first instance that the sums already advanced have equivalent mortgages as their security, and afterwards to assure himself at each succeeding yearly audit that the sums advanced within the year have not been advanced upon the security of old mortgages, but that all new sums lent within the year have new mortgages to secure them. Otherwise the same deplorable error may again be committed which occurred in the case of the old savings banks in Dublin, Tralee, Killarney, and Rochdale, namely, the Legislature giving the public reason to believe that the security was such as to deserve legislative sanction and endorsement, when, in fact, there was no security at all.‡

Distinction
between Build-
ing Societies
and other
monetary insti-
tutions.

14. To avoid a recurrence of this cruel and disastrous error, it is essential to draw a clear and sharp line between Building Societies and Banks of Deposit, Discount Banks, and any other monetary institutions, which, calling in their capital as the board choose, employ it without pledge of any kind as to how it shall be worked, and without, which is the main point, asking, or even wishing, for legislative encouragement or protection.

Only grounds
on which Build-
ing Societies
can claim
exemption
from stamp
duty, &c.

But Building Societies do wish and ask for this protection, on the plea that, in conformity with the intention of the Act of 1836, they enable their members to obtain a "freehold or leasehold property" by "small periodical subscriptions;" and that they moreover provide the industrial classes with a means of investing their savings on security almost as good as the (present) savings banks, and nearly twice as lucrative; a provision which, though not specified in the Act of 1836, is now recognised as an essential element in every properly organised Building Society.

It is upon these grounds alone that Building Societies have any claim to legislative protection, and the Legislature has a right to exact that the security they give in return shall be valid and legal, and not, as at present, dependent on the good faith alone of the society.

The being required to submit their mortgages to the auditing functionary at his yearly examination of accounts cannot be considered a grievance by Building Societies, for they already profess to invest all their money on real securities; and the conscientious societies, *i.e.*, the great majority, really do so. But there are some few that are not conscientious; and in any case when the savings of the poor are at stake, a moral certainty is not sufficient. The exaction of a legal certainty becomes an absolute duty.

Legitimate
limit of
borrowing.

15. The natural, and perfectly safe, limit of borrowing, therefore, at any given time, is the sum which, added to the amount of subscriptions and surplus, if any, on hand, together make up two-thirds, or

* In thus ceasing to provide a safe investment for the savings of the poor, the Irish Civil Service Society must, I fear, forfeit all claim to the title of a Building Society. Money is now received only on deposit, and invested for the profit of the existing members. The society, therefore, is now more a Loan Society with perfectly good security than a Building Society.

† It is true that investing members are not specially mentioned in the Act of 1836; but in any future measure, the keeping the share list open to the industrial classes would probably be considered an essential feature of a Building Society.

‡ The Birkbeck limits the sum payable on demand to 50*l.*

§ See Scratchley on Savings Banks, p. 17.

whatever proportion is advanced, of the estimated value of the property on which the borrowing member wishes an advance.*

The assumption that a limit of two thirds means two thirds of "the amount advanced on mortgage and remaining unpaid" (sec. 3142, p. 22, of First Report), is what gives rise to the fact that the permission to borrow two thirds would enable a society to borrow three times more than the law intended . . . "after you had advanced the money you had borrowed, you could borrow "again on that amount, say, with a capital of 10,000*l.* it would enable you to borrow 19,000*l.*, "making the capital nearly 30,000*l.*; so that two thirds borrowing is, as it were, a fiction." (See also sec. 2973, p. 8.)

This would be strictly true if the two thirds limit meant two thirds of the amount already advanced; but when the two thirds is understood to mean the sum which, taken along with any surplus on hand amounts to two thirds of the value of the property on which an advance is wanted, the borrowing becomes a fixed fact, which would make any further fictitious borrowing impossible.

Each new sum, therefore, invested or lent to the society, and advanced to borrowers, having the same security as sums previously lent, namely, a mortgage of property worth one third more than the amount advanced on it, it would seem necessary only to restrict the managers in the use they make of the money borrowed, and not in its amount. What is even now the custom in Building Societies ought to be made the law. Building Societies should be prohibited from advancing money except to build and buy houses, and an accompanying plot of land, or in the case of a temporary and unavoidable surplus, on securities equally absolute. Attaching also a heavy penalty to depositing, as security for money borrowed, any mortgage deeds by which property has been already secured to the society.

By applying what has been said to the Irish Building Societies, it will be seen that the proper function of a Building Society, advancing money to buy or build, being in them inactive, they, and those whose experience is confined to them, do not appreciate or make use of to its full extent, a power which in their own case is almost useless.

The experience of the "working men's" Building Societies, in Dublin and in Kingstown, from whom I have been enabled to obtain returns, does not throw any light on the important point of the borrowing limit; from the fact that their commercial status, the secretaries being themselves working men, precludes their having a banking credit, and also because their investors exceed their borrowers.

16. They have indeed very few members who have built or bought houses. Advances are applied for only by tenants, who make over the leases of their houses as security to the society. The borrower is in no way restricted as to the use he may make of the money advanced. No inquiries are made except as to the value of the property mortgaged.

Very few houses built or bought by working men in Ireland.

17. The past experience of these societies affords a practical proof of the inconvenience and error of not thoroughly making the members understand that the power of claiming their money on short notice is discretionary, and can be withdrawn in case of necessity.

Necessity of poorer members clearly understanding that they cannot in all cases claim the money.

During the Fenian disturbances a few years since, a panic seized the members, and caused a run on the societies. The secretary explained to the applicants that their money, although safe, could not possibly be realised at a moment's notice. When the disturbances, however, came to an end, the societies continued as prosperous as ever.

18. But my investigation of these "working men's" societies, added to earnest and anxious thought upon the subject, compels me reluctantly to believe that small Building Societies, consisting of working men alone, are subject, though in a less degree, to the evils inseparable from small Friendly Societies, and are therefore ill calculated to obtain the object a building society ought to aim at—the securing the working man an ultimate home of his own.

Small societies injurious to interests of working men.

19. The law now universally recognised as essential to the security of Friendly Societies, namely, that when the number of members is too limited, a sufficiently near approximation to average results cannot be expected, is, *mutatis mutandis*, and in a somewhat less degree, applicable to Building Societies.

Same law applicable to Building as to Friendly Societies.

The larger the numerical area, and the greater the difference in social status of the members, the less the chance of panic and collapse from monetary or political causes, from pressure arising from local stagnation of work, &c. &c.† A large and wealthy society therefore affords its members greater security, both morally and materially, than a small one.

But there are features inseparable from small Building Societies which affect their prosperity even more directly and stringently than do these general and scientific principles.

When working men combine to form a Building Society, they cannot, having no banking credit, borrow; and each member, as in the Bowkett societies, must wait the weary number of years which may elapse before his turn comes to get an advance.

During this long period, the face of the whole society has changed. Some of the members have died, some have emigrated, and the more unlucky ones, those, *i.e.*, who have the longest to wait before their turn comes for an advance, have still to go on paying year after year, perhaps to a new secretary

* When Sir Roundell Palmer was consulted by some members of Building Societies on their proposed Bill, they did not clearly explain to him the constitution of these societies.

† In section 3139, First Report, Sir Roundell says: "Some reasonable limit of the borrowing power should be fixed, with reference to the existence of an ascertained surplus, on the last preceding annual statement or balance sheet of invested assets."

The only "assets" a Building Society can have are its promised subscriptions; and those are already virtually—they ought to be legally—pledged as the only means of paying its investing members and depositors.

Its only "surplus" ought to be the working surplus, invested on call, so as to be available more quickly for the wants of its borrowing members.

‡ The commercial or other educated classes in Dublin felt no apprehension on account of the Fenian "difficulties." The panic, as far as it went, was solely confined to the lower classes.

in whom they have less confidence, their hard-earned subscriptions. Still clinging on to the hope, often inevitably a forlorn one, that they may at last obtain the long-awaited-for advance.

But the great underlying principle of all these small "mutual" societies, is said to be the accumulation of their subscriptions at compound interest.

Now the difficulty of investing to advantage, even at simple interest, small sums so coming in, is felt even by men engaged in business, and familiar with the phases of the money market. And if we concede that the brain of a man who works habitually at his handicraft may, from a special gift, be in a condition to deal with these and other questions of finance, he still cannot attend to them during the usual hours of business. So that either his own affairs, or those of the society, must, of necessity, be neglected.

Being large enough, therefore, to afford a permanent place of business, and to be able to pay good secretaries, good managers, good actuaries, and good surveyors would seem, I fear, to be essential to the prosperity, and even security, of Building Societies.

As to closing
the share list.

20. It need hardly be pointed out that the Civil Service Society is an instance in which a Building Society becoming larger and richer, has acted detrimentally to the interests of the industrial classes, by excluding them from a means of safely investing their savings.

If this had been a common occurrence in Building Societies, they could not, however honourably conducted and useful in other respects, have claimed any sympathy or privileges on the score of helping and encouraging the working man to raise himself to independence.

But so far from this shutting up of the share list being a common occurrence, or the rule, with large Building Societies, it is, as far as I am aware, an exception.

THE REGISTRAR AND ARBITRATION.

Registrar's
duties, &c.

21. The nature and limit of the Registrar's duties affect very importantly the interests of the poorer members.

Arbitration as a means of settling disputes, however much in favour with the larger Building Societies, is doubtless disadvantageous to the poorer class of members. The controlling influence of capital will always insure the choice of arbitrators who virtually represent the interests of the wealthier members. The comparative secrecy of arbitration is also less favourable to the poor man. And, remembering that arbitrators, as a rule, have had no experience in eliciting truth from conflicting testimony—that is, not presiding over a court—it is difficult to find them when wanted, and that the expense of arbitration is greater than that of a legal decision, it certainly appears that this method is not so well calculated to settle a poor man's claim promptly and cheaply as the County Court, or in Ireland the Recorder's Court.

But the objections against ordinary arbitrators do not apply to the Registrar acting in this capacity. On the contrary, the opinions that the special knowledge and experience of the registrar would make him of value in settling disputes, and give confidence in his decision, seems almost unanimous.

The Registrar, being familiar with the law and practice of Building Societies, which few arbitrators or magistrates are, would be able to apply his mind to the special features and facts of each case, and thus do more justice to both the society and the members than can now be obtained or expected from any legal tribunals.

The remuneration of the Registrar ought preferably to be in the shape of salary rather than fees; an agreement being made with some competent actuary to afford him actuarial assistance when required. But a fixed form for the annual accounts of Building Societies being once established, the subsequent actuarial supervision would be trifling.*

For local efficiency it is necessary there should be a Registrar in each capital. But to insure unity of principle and action, they should be all branches of the same office. By this means the actuarial portion of any set of rules might be submitted to one common authority for the three kingdoms.

The Registrar's certificate should be conclusive as to legality. He should also have the power of objecting to certify rules; whether his objection is founded on financial, or on prudential, considerations. When the prescribed form of annual account has been certified as in accordance with law, it should be enforced, as in the case of insurance companies.

Incorporation.

22. On the question of incorporation, if Building Societies are not all to be registered under an Act framed for their special guidance, they ought at least to be placed under the Industrial and Provident Societies Act, or under some Act which will require their accounts to be made public. Secrecy in management, dangerous to all classes, ought not to be tolerated by the Legislature in any Association which invites, and holds in trust, the savings of the poor.

It is not easy to see how Incorporation, though in some cases more convenient to the managers, would in any way benefit the poorer members. The members of a "board" are more apt to be selected from their pecuniary means and their intelligence. Trustees, from their special prudence and probity. Trustees, therefore, sometimes prove "recalcitrant," *i.e.*, they shrink from risks which are accepted by corporations acting under a common seal. Trustees should therefore, perhaps, be retained as a useful check, an additional protection, to those whose interests the Government are chiefly seeking to promote.

The purpose of these Institutions, namely, helping the working man to be self-helping, is such as to excite the utmost sympathy and consideration from every thinking or feeling man, while the means by which they seek to obtain their object seem more commendable than even those of the Friendly Societies, for the reasons mentioned in a former part of this Report, and also because their pecuniary administration and general management can be more exactly defined and restricted by Parliament, and thus made less liable to fraud; and again, because the boon they confer upon the working man is not one which ends with his own life; it can be transmitted to his children in hereditary succession, and thus, let us hope, give birth in England to a race of working men who will be, in an enlightened

* A form which Mr. Owen considers applicable to the accounts of both terminable and permanent societies is annexed in the Appendix.

sense, *adscripti glebæ*, bound to the land in which they are born in the sense of being possessors of property in it.

23. To what extent the Building Societies of our own day have so carried out the intention of the Act of 1836 as to be entitled to protection and encouragement, to what extent they tend to counteract the disastrous tendencies of our existing poor law, which the Legislature has proved itself utterly powerless to mitigate or check, is for the Commissioners themselves to judge.

24. The forms which are annexed (No. 3) in the Appendix contain an exhaustive tabulation of the opinions of every Building Society in this country from whom, after frequently repeated applications, I have been able to obtain returns.

My duty, as it appears to me, has been to estimate every question chiefly if not entirely according to its probable effect upon the interests of the working man; and to lay before the Commission the arguments for and against the points which seemed to me, in this respect, the most important.

In conclusion, I cannot but record my grateful appreciation of the cordial reception which everything connected with the Commission has met amongst this most kindly and genial people.

With the earnest hope that one result of the inquiry will be to so modify the law affecting Building Societies, and the land covered by their buildings, as will better fit them for the condition of the country, and thus lead to these valuable institutions being more widely adopted by the people of Ireland,

I have, &c.

E. LYNCH DANIELL.

December 15, 1871

APPENDIX No. 1.

Statistics Office, Four Courts, Dublin,
5th December 1871.
SIR, WITH reference to the fact you have ascertained of the small number of building societies amongst the labouring classes in Ireland, and to your inquiry as to the cause of this unsatisfactory state of affairs within the power of the Legislature to remove, I beg to submit the following suggestions:—

The causes which have come under my notice which can be removed are—

1. Want of extending union rating to Ireland.
2. Want of extending to tenants improvements in human habitations in towns, the protection afforded to buildings on agricultural and pastoral holdings by the Irish Land Act of 1870.
3. Want of extending to expenditure in improvements of artisans and labourers' dwellings, when made by tenant or landlord, the priority "over all other estates, incumbrances, and interests whatsoever" which is granted to a local authority making such expenditure by section 19 of Artizans' and Labourers' Dwellings Act, 1868.
4. Want of extending to building leasing powers the definition of "fair rent" contained in Irish Land Act, 1870, as a substitute for "best rent" required by statutable and other leasing powers.
5. Want of extending to building leasing powers the facilities for binding remaindermen created by the Irish Land Act, 1870, as to charges for sums agreed to be paid by limited owner for tenants' improvements.
6. Want of extension to Irish county courts the equitable jurisdiction exercised by English county courts.
7. Want of extension of Irish Record of Title to marketable as well as absolute titles as proposed by the Lord Chancellor's (Lord Hatherley's) Bill for England and Wales.
8. Want of power in Irish Record of Title to establish a duplicate local register for all dealings with artisans' and labourers' dwellings at the nearest post-office money order office.
9. Want of power in local town authority to convert all waste, unoccupied land, and land covered with ruined houses, from defect of title, into useful building ground, by selling land after due notice, and investing money until difficulties of title which render the land waste removed.

The reasons for these several suggestions can be given in a few words:—

1. Union rating was, after a great deal of inquiry and consideration, adopted in England and Wales in 1865 to prevent the too narrow limit of taxation operating to induce landlords to resist the erection of labourers' houses. The same reasons apply for the extension of this principle to Ireland, and a committee of the House of Commons was investigating the matter in the past session.
2. The Irish Land Act of 1870 established the just claim of agricultural tenants for unexhausted improvements in buildings, whether for human habitation or not; but this was limited to holdings of an agricultural and pastoral character. It is only right that this just principle should as promptly as possible be extended to protect the improvements in artisans' and labourers' dwellings in towns.
3. In this case also the principle upon which a local authority can get from a local court a prior charge for expenditure on improvements in dwellings applies equally to the landlord or tenant of a house when they incur the expenditure; the object of the priority of the charge is to save the cost of delay of investigating title, and the reason applies as much in the one case as in the other.
4. The rule of requiring the "best" that is highest possible rent, to be reserved in a lease, as in the 25th section of Landed Property Improvement Act, 1860, has

the effect of making a lease invalid, if a landlord makes any allowance to a tenant in fixing the rent for previous improvements of the tenant or his predecessors.

This is entirely inconsistent with justice and usage in Ireland, and accordingly in the Irish Land Act, 1870, it was remedied as to agricultural leases granted under that Act, and instead of the best rent being required, the lease is to reserve "a fair yearly rent without taking anything" in the nature of fine, premium, or forgoit, with a proviso "that in estimating such yearly rent it shall not be necessary to take into account against the tenant the increase, if any, in the value of the holding arising from any improvements executed by the tenant or his predecessors."

Many building leasing powers in Ireland, statutable and others, are rendered of little value for want of "fair rent" as thus defined being substituted for "best rent;" as this has been done in the case of agricultural leases it ought to be extended to building leases.

5. Building leases under the powers in Landed Property Improvement Act, 1860, require a hearing before a judge in every case for his approval of the lease; this is so expensive and so lowering to the dignity of the landlord that few applications are made, only about 10 each year. If the landlord had only to give notice to his successor, and court had only to receive proof of notice (as in the case of agreements to pay for tenant's improvements by limited owner under Irish Land Act, 1870, s. 27), with power to set aside lease, if found to be a fraud on the power, the present cost and difficulty of granting building leases under the powers in the Act of 1860 would be removed—especially if whole power was transferred to local court, and Landed Estates Court confined to granting general leasing powers under the Settled Estates Act.

6. The principle of bringing complete justice home to the poor man, upon which the jurisdiction of the English County Courts was extended to equitable cases below a certain limit in 1865, applies with equal force to the poorer classes in Ireland, and yet at the end of six years this principle has not been extended to Ireland.

7. The Bill of the English Lord Chancellor (Lord Hatherley) recognized the fundamental principle of improvements in registering title, to allow any bona fide title to be registered for what it purports to be a marketable title, and so stopping all future complications of title from moment of registry without waiting for all those past doubts and difficulties which the Statute of Limitations will cure to be finally removed. This is just the reform which is wanted to make the Irish Record of Title Office useful, and labourers and artisans are those who will most benefit by the reform.

8. To make this reform, however, completely beneficial to labourers and artisans, and for their building societies, the Record of Title Office should be enabled to grant them a duplicate local registry of title at the next money-order office to be kept subordinate to the Record of Title Office, just as a local registry of marriages is subordinate to the Registrar General.

9. The great cause of vacant and waste spaces in towns and of ruined houses is defect of title. Local authorities ought to be enabled to stop this evil, which diminishes the property liable to local taxes, increases the cost of all town arrangements by lengthening unnecessarily streets, street pipes, &c. &c. To do this let some authority, after 12 months' notice, be enabled to sell such premises in local court, take photographs of existing state of premises before sale, and invest money. The complications of title would be transferred to the photographs and invested money, and the unoccupied ground or ruined premises would be sold with absolute title to a building society for artisans' and labourers' dwellings.

Your obedient servant,

W. NELSON HANCOCK.

E. Lynch Daniell, Esq.

APPENDIX II.

BENEFIT BUILDING SOCIETIES IN IRELAND.

QUESTIONS.	DUBLIN AND KINGSTOWN.					CORK.
	Irish Civil Service and General Building Society.	Dublin Building Association.	St. Michael's Benefit Building Society.	Kingstown Tradesmen's Benefit Building Society.	Working Men's Benefit Building Society.	Cork and South of Ireland Benefit Building Society.
1. When was your society established?	1st June 186 .	1858.	Feb. 1862.	Feb. 1864.	11th Oct. 1861.	1853.
2. Is it permanent or terminating?	Permanent.	Permanent.	Permanent.	Permanent.	Permanent.	Permanent.
3. Is it certified?	Yes.	Yes.	Yes.	Yes.	Yes.	Yes.
5. What are the shares, and how are they paid? Do you allow the subdivision of shares, and if so, to what extent?	(a.) 25l., payable by 2s. 6d. monthly. (b.) No.	60l. paid at 5 per cent.; no subdivision.	10l. paid at once, or by weekly payments of 2s. 6d. per share.	10l., payable in weekly subscriptions of 1s. per share in advance.	(a.) 50l., payable 1s. weekly. (b.) No return.	10l. paid, either monthly or in full.
6. Do you take payments in advance, or grant paid-up shares?	Yes, any amount tendered up to the full value of the share or shares.	In advance and also "paid-up" in a few instances. Such not encouraged.	We take both.	Yes, both.	Yes, any amount, and any number of shares.	Yes.
7. What entrance fees, if any, or other charges, have members to pay besides their subscriptions?	Entrance fee 5s. for first share; 10s. each for all others. No other charges.	Entrance fee 2s. 6d. Rules and account book 1s. Registration 1s. per share.	Entrance fee of 1s. per share, and 6d. for copy of rules.	1s. per share.	1s. entrance fee for each share.	Entrance fee 6d. per share only.
8. What interest or profit do you give to investing members, and how or when is it paid?	Interest at 5 per cent., paid half yearly. Surplus profits divided annually. Up to the present this has been about 2½ per cent.	5 per cent. compound interest added to shares, but not payable until withdrawing all.	8 per cent. in 1868 and 1869, 7 per cent. for 1870, 5 per cent. previously.	No interest.	6½ per cent. paid by investing members.	5 per cent. per annum, and a bonus every five years. Paid half yearly on paid-up shares.
9. What fines do you charge for nonpayment of subscriptions?	2d. per 1l. or fraction of 1l. per month.	1d. per share per month.	When fines equal subscriptions share is forfeited.	When fines equal amount paid in, membership ceases.	¼d. the second week on each share, up to the ninth week. When fines equal subscriptions, share forfeited.	2½ per cent. on borrowers if in arrear.
10. What is the largest number of shares held by a member, and what is the average number held by each?	(a.) 98 shares. (b.) Average three.	20, Average 3.08.	67. Average 5 shares to each member.	Our society is restricted to 100 members.	No return of number of shares.	The largest 140 shares. Average between 15 and 17.
11. What was the amount standing to the credit of your investing members for subscriptions at the date of your last report, in balance sheet?	£89,870 10 11 principal. 3,262 18 8 interest. ————— £93,133 9 4	7,893l. 11s. 1d.	4,350l.	About 400l.	No return.	22,712l. 14s. 8d.
12. What amount have you received in subscriptions during the last financial year?	2,323l. 18s. 9d.	1,070l. 15s. 4d. for year ending Oct. 1871.	Over 600l.	—	No return.	751l. 3s. 10d.
13. What notices do you require for the withdrawal of shares?	None.	Notices of withdrawal given at one (monthly) meeting are generally paid at next meeting.	One month.	One month.	One month.	21 days.

18687.

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ON BENEFIT BUILDING SOCIETIES IN IRELAND

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Benefit Building Societies in Ireland—continued.

QUESTIONS.	DUBLIN AND KINGSTOWN.					CORK.
	Irish Civil Service and General Building Society.	Dublin Building Association.	St. Michael's Benefit Building Society.	Kingstown Tradesmen's Benefit Building Society.	Working Men's Benefit Building Society.	Cork and South of Ireland Benefit Building Society.
14. Can you check the withdrawal of shares, and do you ever find it necessary to do so?	Rule gives the power. It has never been used.	Has been checked occasionally when cash was required to meet loans. Practically no impediment now. To members only.	No, never found necessary.	Each member understands that he can only get his money when it is paid in. To members.	Not by any rule.	Yes.
15. Do you make advances to members only, or to non-members also?	Nominally to members only. Non-members become members to qualify.	Not sold, and no premiums.	To members only.	No premium. Advances made in rotation.	To members only.	To members only.
16. How are your advances made? If sold, is the premium fixed or not? If not fixed, what is the average amount of it?	There is no premium. Advances are made on all applications which are satisfactory, on payment of costs. They do.	Borrowers pay all charges. Scale not fixed for law charges.	Advances not sold. Made on application.	Ours are all borrowing members.	3d. in the 1l.	Advances only made on surveyor's report.
17. Do borrowers pay law charges and cost of surveys? and have you any and what fixed scale of law charges, or survey charges?	Always by a professional surveyor.	It is for survey, which is made first by board, then by professional surveyor.	Yes, 10s. for each survey. Law costs about 3l.	Yes.	By borrowing members.	Part paid by borrowers and part by society.
18. Are surveys made by a professional surveyor, or how otherwise?	1. No. 2. No other charge.	Commission 2s. 6d. per cent. per annum. No other fees.	Made by a builder.	No.	Professional surveyor.	Professional surveyor.
19. Do you charge commission on advances? or what fees or other payments (if any) are charged to borrowers over and above interest and premium (if any), and law and survey charges?	1. 7 per cent. 2. By way of annuity made up of 7 per cent. interest, and such a sum as periodically invested at 7 per cent. would repay the principal.	4½ per cent. for full amount for full term of loan.	1s. on 10l. as fee on shares.	No interest charged.	3d. in the 1l.	No.
20. What is the actual rate of interest charged to borrowers, and how is it calculated? If any difference is made between different classes of borrowers, state the particulars.	24,000 0 0 largest. 25 0 0 smallest. In only nine cases out of about 650 has the amount exceeded 1,000l. 114,263l. 7s. 2d.	2,000l. in one instance, average about 300l.	5 per cent. per annum calculated for each year that loan is given, added to loan, and repaid by equal monthly instalments.	No interest charged. 1s. per week is paid by each member. When 50l. accumulates, a draw takes place. The member getting the draw repays it at 6s. per week besides his 1s. per week. When 50l. accumulates a draw takes place as above.	6 per cent. a year; every half year an account is taken, the member credited with what he has paid, and thenceforth interest charged on balance due only.	7 per cent. calculated by Mr. Scratchley. No difference.
21. What is the largest advance yet made by your society? and what is the average amount advanced?	—	400l. in several cases. 150l. average.	—	—	—	5,000l. About 300l.
22. What was the balance due to the society on advances at the date of its last report?	—	8,542l. 6s. 4d.	8,200l., including interest added.	—	—	23,761l. 2s. 11d.
23. On what security are the advances made?	On leasehold and freehold property only.	Mortgage of property.	Allotment of property on which loan is granted.	Leasehold and freehold property.	Freehold and leasehold property only.	On first mortgage only.

Benefit Building Societies in Ireland—continued.

QUESTIONS.	DUBLIN AND KINGSTOWN.					CORK.
	Irish Civil Service and General Building Society.	Dublin Building Association.	St. Michael's Benefit Building Society.	Kingstown Tradesmen's Benefit Building Society.	Working Men's Benefit Building Society.	Cork and South of Ireland Benefit Building Society.
24. Do you generally advance money for the purpose of building, or on houses already built?	Our advances are made for completing purchase of houses and lands, for buildings, redeeming mortgages, &c.	Both about equal.	On both; but chiefly for the latter.	More often to repair houses, few builders or buyers.	Our members are chiefly tenants; 3 only out of the 100 own their houses.	Both.
25. Do you make advances on mills, works, or factories?	We do, but rarely.	A few; it has occurred, but we do not encourage.	No, not having been applied for.	No.	No.	We have not done so.
26. Do you advance at all, or advance money largely to builders? and on what conditions?	We have lent and do lend to speculative builders, but we avoid them as much as possible.	Have advanced to builders on same terms as others.	No.	No.	No.	To any parties if members.
27. Within what margin of value are your advances generally made?	Never more than three fourths unless on short time, for the borrower's own residence.	Three fourths to two thirds.	Three fourths to five sixths of total value.	Surveyor determines.	According to surveyor's report, character of the borrower, &c.	Two thirds of estimated marketable value.
28. Are your advances confined to any locality? or within what local limits are they generally made?	We will and do lend in any part of Ireland.	Dublin and neighbourhood only.	Not at all confined.	Kingstown and neighbourhood.	Dublin.	Our advances embrace Cork, Kerry, and Limerick counties.
29. What are the monthly payments made by borrowing members?	Varying with the amount borrowed and period of repayment.	5s. monthly per share.	Found by dividing into amount of principal and interest the number of months in the period for which loan is granted.	1l. 8s. per month.	1l. a month. 5s. a week.	According to amount borrowed and term of repayment.
30. Have your tables or scales of repayment been drawn up or approved of by an actuary?	They were compiled by the chairman, and submitted for approval to Mr. Scratchley.	Our scale is an actuary's scale simplified.	No.	No return.	—	Yes, by Mr. Scratchley.
31. If you have more than one scale of repayment, which is the one generally preferred?	The only difference is by monthly or quarterly instalments. The first generally preferred.	Only one scale.	Only one.	One scale.	Only one.	We have only one scale.
32. What redemption fees, if any, do you charge?	The member squares his account, leaving the society a modest profit.	1 per. cent. per annum for balance and period to run.	No redemption fee.	None.	None.	5 per cent. redemption fee.
33. What fines do borrowing members pay?	They amounted in 1871, to June, to 224l. 14s. 1d.	8d. in the 1l. per month for nonpayment.	As per table.	Any member not paying his weekly subscriptions in four weeks after his draw, will be fined 1s. for the first week, second week 2s., and in case of nonpayment of all arrears on the fifth week, society or trustees shall take such action as they think fit.	For nonpayment of subscriptions, first week 0d., second week 1d., up to the ninth week, fines then double until they equal the subscriptions paid. The board can then declare such share forfeited, or grant further time for payment of arrears and fines.	2½ per cent. if in arrears three months.

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ON BENEFIT BUILDING SOCIETIES IN IRELAND.

Benefit Building Societies in Ireland—continued.

QUESTIONS.	DUBLIN AND KINGSTOWN.					CORK.
	Irish Civil Service and General Building Society.	Dublin Building Association.	St. Michael's Benefit Building Society.	Kingstown Tradesmen's Benefit Building Society.	Working Men's Benefit Building Society.	Cork and South of Ireland Benefit Building Society.
34. Are fines often inflicted ?	- - - - -	The majority of our borrowers are regular. A few are frequently fined.	Not often.	See No. 33.	See No. 33.	No. Very seldom.
35. When is forfeiture incurred, and is it often incurred ?	After three months' default. Not often.	When the fines reach the amount paid in.	The premises or property mortgaged. Never yet incurred.	See No. 33.	See No. 33.	Society has powers of sale after four months' arrears; but seldom used.
36. Have you any provision for remitting fines and forfeitures ?	No.	Scale of fines has been greatly reduced. No forfeitures.	None, except by resolution of the board.	See No. 33.	At option of directors.	At option of directors.
37. Do borrowing members share in profits ? and if so, to what extent ?	They do not.	Only when holding investing shares.	They do not.	All our members are borrowers.	Our members are all supposed to be borrowers.	No.
38. Have you borrowing powers in your rules ? if so, are they limited or unlimited ? if limited, what is the limit ?	By a recent rule power is taken, and limited to one fourth of the sum secured by mortgage.	We have no mention of borrowing power in our rules.	No borrowing power in our rules.	No.	No.	No.
39. Do you borrow money ? and if so, in what manner and on what security, e. g., promissory notes, deposits, &c.	Only by deposits, and by over-drawing the bank account, a guarantee being signed by the directors.	Yes, on deposit.	Overdraw banking account to the extent of 1,000 <i>l.</i> , paying current interest thereon.	No.	No.	Overdrawn cheque on security of directors only.
40. What was the balance to the debit of the society on loans other than deposits (if any) respectively, at the date of your last report ?	Deposits - - - 215,518 5 8 Interest - - - 152 17 0 Balance on loan costs - - - 298 12 1 To bankers - - 2,798 7 1	On deposits only 65 <i>l.</i> 3 <i>s.</i> 8 <i>d.</i> , October 1871.	None whatever, except 5 <i>l.</i> on deposit with us at 5 <i>l.</i> per cent.	We take no loans.	No return.	None.
41. What interest do you give on deposits or other loans ?	On deposits for one year certain 5 per cent. At call, now 4 per cent., but varying from 3 to 5 per cent.	Present rate 4 per cent. per annum.	5 per cent.	Don't have any.	Take none.	See No. 8.
42. If deposits are taken what is the smallest amount you receive ?	10 <i>l.</i>	We have had as low as 10 <i>l.</i>	No limit.	See above.	See 41.	5 <i>s.</i> per month.
43. What was, at the date of your last report, the largest amount to the credit of a single depositor ? and what is the average amount of a deposit ?	800 <i>l.</i> largest. Average under 50 <i>l.</i>	100 <i>l.</i> Average, October 1871, 55 <i>l.</i> 10 <i>s.</i>	240 <i>l.</i> Average 100 <i>l.</i>	No return.	No return.	1,398 <i>l.</i> largest.
44. What notice do you require for the withdrawal of deposits ? and is notice always enforced ?	One week's notice for sums under 200 <i>l.</i> , and two weeks over that sum. This has never been enforced.	Three months. Notice never enforced.	One month's notice, but not always enforced.	See above.	See 41.	21 days, but not enforced.
45. Have you ever found it necessary to check either deposits or withdrawal of deposits ? and if so, how can you do it ?	Yes ; by lowering the interest we can reduce them to any amount required.	We are now declining to take deposits, and have never checked withdrawal.	Never found it necessary.	See above.	See 41.	Checked at the time by treasurer and secretary, and twice a year by auditors.

Benefit Building Societies in Ireland—*continued.*

QUESTIONS.	DUBLIN AND KINGSTOWN.					CORK.
	Irish Civil Service and General Building Society.	Dublin Building Association.	St. Michael's Benefit Building Society.	Kingstown Tradesmen's Benefit Building Society.	Working Men's Benefit Building Society.	Cork and South of Ireland Benefit Building Society.
46. Do you take loans by way of paid-up shares? and if so, what security do you give for such?	No.	No. Any we have are regular shareholders.	No.	No.	No.	Yes, from members.
47. What was the balance, if any due, at the date of your last report, to holders of paid-up shares?	84,000/.	240/.	4,250/.	No such shareholders.	Such shares do not exist in our society.	About two thirds of the capital are full paid-up shares.
48. How are your surplus funds invested?	In the general business we have no surplus beyond a small amount of undivided profits intended to equalize dividends.	In Bank of Ireland on deposit receipt.	On deposit receipts in bank.	No surplus funds.	None.	The banks allow us interest on our balances.
49. Does your society purchase land?	No.	No.	No.	No.	No.	No.
50. Does your society build houses, for members or otherwise? and if so, on what terms? and how do you deal with such houses?	No.	No.	No.	No.	No.	No.
51. Is your society connected with any land society or company? and if so, what is the nature of such connexion?	No.	No.	No.	No.	No.	No.
52. Do you lend money to, or borrow from, other building societies? and if so, in what manner, and on what securities?	No.	No.	No.	No.	No.	No.
53. How are your accounts audited? how are your balance sheets, or the results of your transactions, communicated to your members?	By two paid auditors, both public accountants, annually, a balance sheet is sent to each member before the annual meeting.	By two members appointed at annual general meeting.	By three well-known accountants, appointed by members at the meeting previously to the one at which the balance sheet is prepared.	—	—	Copy of balance sheet certified by auditor sent to both borrowers and investors.
54. Are your securities ever valued? and if so, when, and by whom?	Yes; half-yearly by the officers of the society.	Not needful; our accounts being so kept as to show the amount they stand at.	Never valued.	Before money is advanced only.	When advance is made.	No; as two thirds only are advanced every payment lessens the risk.
55. In what manner does your society take account of premiums for advances?	We have none.	No such charge.	Have no such thing.	No premiums for advances.	None.	We have no premiums.
56. Do you supply all your members with copies of your rules, both original and amended?	Yes.	Yes.	We do.	At a charge of 6d.	(No return.)	Yes.
57. How are your rules amended?	By resolution at general meetings, either annual or special.	At a general meeting of members specially convened.	At general meetings. If approved by members, sent to official registrar.	(No return.)	(No return.)	By sub-committee of directors, and then certified by registrar.

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ON BENEFIT BUILDING SOCIETIES IN IRELAND.

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Benefit Building Societies in Ireland—continued.

QUESTIONS.	DUBLIN AND KINGSTOWN.					CORK.
	Irish Civil Service and General Building Society.	Dublin Building Association.	St. Michael's Benefit Building Society.	Kingstown Tradesmen's Benefit Building Society.	Working Men's Benefit Building Society.	Cork and South of Ireland Benefit Building Society.
58. What offices have you, and what are your expenses of management?	House, 8 College Street. 5 years ending /69 = 2.1 of receipts. 6 " /70 = 2.0 " 7 " /71 = 1.96 " 1 year to May /71 = 1.77 " About 1,500; increasing.	Two rooms in 12, Eustace Street; management about 86l. per annum.	One room for board, 7l. 10s. per annum. Expenses about 80l. per annum., of which secretary gets 30l.	No regular office. Secretary receives 10l. a year.	A room in secretary's house. Secretary receives from 8l. to 12l. per annum.	74, Patrick Street. Expenses fluctuate according to amount of business.
59. What is the number of your members? and is it increasing or diminishing?	About half are working men. The remainder	101, October 1871. Diminished during the past year.	187; steadily increasing.	Restricted to 100.	—	About 230, including borrowers and depositors.
60. To what classes do your members generally belong? and what proportion of them would be working men in receipt of weekly wages?	Principally middle class. About one fourth are working men.	Generally middle-class shopkeepers, with a few working men.	All grades of society; four fifths are working people.	To the working class entirely.	Working classes.	Principally middle classes shopkeepers and tradesmen; very few working men.
61. If you have depositors who are not members, to what classes do they belong? and what proportion of them would be such working men as above mentioned?	Increasing.	(No return.)	Ladies and gentlemen of property, and none others.	See above.	See 60.	None.
62. Are your working men members, or your working men depositors, increasing or diminishing in number?	Stationary; little change.	Increasing.	Limited to 100 members.	Increasing.	The element is too small to be estimated.	
63. What would be the lowest, and what the average weekly wages earned by your working men members, and by your working men depositors?	Cannot say.	35s. per week the lowest; 36s. average.	No return.	No return.	See No. 62.	
64. Are your working men members chiefly investors or borrowers?	About equal.	Both.	They are both to about the same extent.	All borrowers.	All borrowers.	See No. 62.
65. What would be the lowest, and what the average, value of a working man's house in the locality or localities where your business is chiefly carried on?	Cannot say; there are so few. Workmen here, with little exception, live in rooms.	The lowest 2s. 6d. per week rent; average 30l. per annum rent.	Lowest about 70l.; average say 100l.	Average 120l.	This portion of society's business is very different in Ireland to what it is in England.	
66. Do you consider the present state of the law on the subject of Building Societies satisfactory or not? and, if not, on what points and how should you wish to see it amended?	Very few working men have houses; they mostly rent rooms; but many such houses have been built with loans from the society. We hope to extend the demand for a supply of such houses.	(No return.)	The law works fairly. Never had any difficulty; but the Rule XI in re legal proceedings should be confined to directors and trustees.	Satisfactory.	We are satisfied with it.	We consider it satisfactory, but would recommend the abolition of issuing fractional parts of shares, such plan complicating accounts.

Benefit Building Societies in Ireland—continued.

QUESTIONS.	DUBLIN AND KINGSTOWN.					CORK.
	Irish Civil Service and General Building Society.	Dublin Building Association.	St. Michael's Benefit Building Society.	Kingstown Tradesmen's Benefit Building Society.	Working Men's Benefit Building Society.	Cork and South of Ireland Benefit Building Society.
67. Are you acquainted with Mr. Gourjay's bill for the consolidation and amendment of the law on the subject of Building Societies? and if so, to what extent, if any, do you approve of it?	No.	No.	I am not.	No.	No.	No.
68. Do you think the registrar's certificate useful to Building Societies? or do you think any other mode of registering or certifying rules would be better than the present one?	Decidedly so; and if the registrar could be an actuary as well as a lawyer, he would be a most useful officer.	Useful.	Travelling inspectors and Government auditors, same as in Poor Law, should be appointed instead.	His certificate ought to make the rules good in law.	Very little good in its present state.	Yes; quite satisfied with present plan.
69. Supposing the office of registrar maintained, do you think the registrar's certificate should be conclusive as to the legality of a Building Society?	It ought to be made so. He ought to be a competent officer, and should have power to employ an actuary, if necessary, to approve the financial part of any scheme; and should be held responsible for any wrong certificate; but a certificate when given should be binding until withdrawn.	Should be conclusive.	It should, after careful inspection.	Yes.	Yes.	Yes.
70. Do you think he should have any discretion as to certifying rules which he considers objectionable, although they may not be illegal?	Certainly, whether his objection was founded on prudential or financial considerations.	Yes.	Certainly; subject to appeal to Lord Lieutenant in council.	Yes.	Yes.	Should be empowered to make legal objections only.
71. Do you think an appeal should be allowed from his decision as to certifying or refusing to certify any rule, in any and what cases, and, if so, to what authority?	It would be desirable to have an appeal from Ireland to the registrar in Scotland or England, the opinion of two to be binding.	May be advisable, but cannot suggest authority.	See preceding.	Don't know.	Appeal to a court if wished.	See No. 70.
72. What return, if any, do you think that Building Societies should make to the registrar, or to any public office?	I think, in addition to all new rules or alteration of rules, it would be sufficient to submit the annual balance sheet.	The regular annual balance sheet, and any other that he may call for.	The annual balance sheet and report both to be of a very full nature, i.e., ample in details.	No return.	No return.	Copy of annual balance sheet.
73. Do you think any mode or form of auditing or publishing Building Societies' accounts should be enforced by law?	I think no simpler or more complete form can be made out than the one submitted, and that should be enforced as in case of assurance companies.	It might be advantageous.	Yes, Government auditors.	No return.	No return.	No.

Benefit Building Societies in Ireland—continued.

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QUESTIONS.	DUBLIN AND KINGSTOWN.					CORK.
	Irish Civil Service and General Building Society.	Dublin Building Association.	St. Michael's Benefit Building Society.	Kingstown Tradesmen's Benefit Building Society.	Working Men's Benefit Building Society.	Cork and South of Ireland Benefit Building Society.
74. Do you think Building Societies' accounts should be audited by any public officer, and if so, how should he be remunerated?	I think probably the account as in 73 should be certified by the registrar as to its accordance with law, for which a fee of 10s. 6d. would be fair payment. A public audit would be open to inconvenience.	Do not see how it could be well done.	Yes; should not be paid per day, but by salary. Government to be recouped by fees proportioned to number of accounts examined.	No return.	No return.	With us two large shareholders appointed by members have given every satisfaction for many years.
75. Do you think the registrar's powers (if the office be maintained) should be limited or enlarged in reference to Building Societies, and if so, in what respects?	Enlarged and strengthened as stated in previous replies.	Enlarged, see No. 70.	Yes, by having inspectors, auditors, and officers for same, and the necessary machinery connected therewith.	Retained and enlarged as stated above.	Maintained.	We can't form any opinion.
76. Do you think it would be beneficial if the registrar were empowered to act as arbitrator or as umpire in Building Societies' disputes? or to what tribunal should they be referred?	I think it would be most beneficial to both parties. Few arbitrators and magistrates understand Building Society law and practice. The registrar, knowing both, would apply his mind to the special facts of the case. A fair fee to him would cost less than paying three arbitrators.	Yes.	To an inspector of the office.	We have no disputes.	We can settle our own best.	Local arbitrator appointed by aggrieved party is best; we never required an arbitrator.
77. Do you think the winding up of Building Societies should be conducted by the registrar? or by what other tribunal?	Yes, in my opinion; but I do not expect ever to have any practical experience on this point.	No.	By the registrar, on report of inspector, and after inquiry.	By the society.	By the society.	We are permanent.
78. Do you think Building Societies should have by Act of Parliament power to borrow money, especially by way of deposit? and if so, should such power be limited or unlimited? and what, if any, should be the limit?	I do. It should be limited, and in my opinion the safe limit is about one fourth of the balance due at any time on the securities.	Yes, to a limited extent, if power of security be given.	They should have such power, especially by deposit without any limit.	No.	No.	Would not give directors the dangerous power of borrowing. Would only raise capital from members.
79. Do you think Building Societies should have power to purchase land, or to enter into building contracts? and if so, should that power be subject to any limit or conditions?	I would confine them to their legitimate business of lending money. If the locality calls for the creation of sites for small tenements, they can always find parties willing to take the risk and the chance of profit arising from the land. If a Building Society deal in land, there is great opening for fictitious or wild valuation of the property.	No.	Doubtful; if they had such power it should not be exercised except upon inspection and report from registrar's office in each case.	No.	No.	Too risky.

FRIENDLY SOCIETIES' COMMISSION.—REPORT BY MR. DANIELL.

Benefit Building Societies in Ireland—continued.

QUESTIONS.	DUBLIN AND KINGSTOWN.					CORK AND SOUTH OF IRELAND BENEFIT BUILDING SOCIETY.
	Irish Civil Service and General Building Society.	Dublin Building Association.	St. Michael's Benefit Building Society.	Kingstown Tradesmen's Benefit Building Society.	Working Men's Benefit Building Society.	
80. Do you think the present exemption from stamp duties enjoyed by Building Societies should be maintained, repealed, or in anywise altered?	I think it very desirable that the smaller loans should be free of stamp duty, and that the society's cheque on the bankers should also be free.	Maintained.	They should be maintained as one of the encouragements held out for their adoption generally through the country.	Maintained.	Maintained.	Maintained.
81. Do you think Building Societies should be incorporated?	If this would avoid the necessity for having trustees it would be a great convenience. I cannot answer this question.	No.	Incorporation not necessary.	No.	No.	No.
82. Do you think the business now carried on by Building Societies, or by any particular class of them, could be as well carried on under the Companies Acts, or under the Industrial and Provident Societies Acts? and if not, why not?		(No return.)	I never read these Acts, but they should be carried out by a board of invested shareholders elected at the annual meetings, a director becoming a borrower to vacate his seat thereby.			We are perfectly satisfied to remain as we are.
83. What misdoings or omissions by Building Societies or their officers should be made legally punishable? and what should be the mode of punishing them?	Any violation of the Act, or of the society's rules, any neglect to act as directed by the Act or the rules, should subject the trustee, director, auditors, or secretary to heavy fine, payable to the registrar. If an act of the board, every director present and not protesting to be liable.	No return.	If fraud or gross negligence be proved (which could be done easily by inspectors and auditors appointed by Government), the usual criminal law should be enforced.	No return.	No return.	Provided for by our rules.
84. Do you think that if the registrar's office be retained, there should be, as now, three independent registrars in England, Scotland, and Ireland; registrars in Scotland and Ireland subordinate to the English registrar, or would one registrar in England be enough?	For local efficiency there should be registrars in each of the three countries, or more than one in each if there was work enough. But to ensure unity of principle and action they should be all branches of the same office. By this means the actuarial portion of any set of rules might be submitted to one common authority for the three kingdoms.	Three independent registrars.	Each country should have its registrars and staff. I say this decidedly, having from my position (town clerk of Kingstown) the very best means of judging.	No return.	No return.	We would prefer having a registrar in Dublin as at present.

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TABLE FOR BENEFIT BUILDING SOCIETIES IN IRELAND.

Benefit Building Societies in Ireland—*continued.*

QUESTIONS.	BELFAST.					COLERAINE.
	Belfast Economic Building and Investment Society.	Belfast Equitable Building and Investment Society.	Belfast Imperial Building and Investment Society.	Belfast Permanent Building and Investment Society.	Belfast Union Building Society.	Coleraine Building and Investment Society.
1. When was your society established?	May 1864.	January 1864.	December 1865.	August 1852.	February 1866.	In 1864.
2. Is it permanent or terminating?	Permanent.	Permanent.	Permanent.	Permanent.	Permanent.	Permanent.
3. Is it certified?	Yes.	Yes.	Yes.	Yes.	Yes.	Yes.
4. What are the shares, and how are they paid? Do you allow the subdivision of shares, and if so, to what extent?	80 <i>l.</i> ; by subscription of 3 <i>s.</i> per month per share.	25 <i>l.</i> In monthly subscriptions of 2 <i>s.</i> 6 <i>d.</i> per share.	25 <i>l.</i> each. No subdivision of shares.	100 <i>l.</i> each. Half share, 50 <i>l.</i>	80 <i>l.</i> ; 10 <i>s.</i> per month. No subdivision.	25 <i>l.</i> ; never subdivided.
5. Do you take payments in advance, or grant paid-up shares?	Yes.	Yes; our rules give us that power.	Yes.	Yes, we do both.	Not now.	Sometimes in advance. We have a few paid-up shares.
6. What entrance fees, if any, or other charges, have members to pay besides their subscriptions?	Entrance fee, 6 <i>d.</i> per share. 6 <i>d.</i> for copy of rules.	Entrance fee, 6 <i>d.</i> per share.	Entrance fee, 6 <i>d.</i> ; copy of rules, 6 <i>d.</i>	Entrance fee, 2 <i>s.</i> ; copy of rules, 6 <i>d.</i>	Entrance fee, 2 <i>s.</i> ; copy of rules, 6 <i>d.</i> Borrowing members pay no entrance fee or other charge.	1 <i>s.</i> entrance fee; 6 <i>d.</i> for rules; 2 <i>d.</i> for pass-book.
7. What interest or profit do you give to investing members, and how or when is it paid?	In May, every year. Dividends average 7 and 8 per cent.	4 and 4½ per cent.; 4 on call; 4½ for a fixed period, say 3 or six months.	Interest, not exceeding 5 per cent., on completed shares. Profits paid annually, if demanded, otherwise put to the credit of investing members.	Profits are divided annually amongst investing members.	For past year we paid a bonus of 8 per cent.	5 per cent. It is carried to the credit of shares. On paid-up shares the interest is paid at the balance annually. The surplus profit is carried to reserve fund.
8. What fines do you charge for nonpayment of subscriptions?	1st week 2 <i>d.</i> , 2nd 3 <i>d.</i> , 3rd 4 <i>d.</i> ; every other week 6 <i>d.</i> Number of fines, 18 altogether.	1 <i>d.</i> the first month, 2 <i>d.</i> the next, 3 <i>d.</i> the third, and every other; 4 <i>d.</i> for each subdivided share.	First nonpayment of monthly subscriptions, 2 <i>d.</i>	For subscribing shares, 6 <i>d.</i> per share per month. For nonpayment of advance repayments, 6 <i>d.</i> per month for every 10 <i>s.</i> No return.	6 <i>d.</i> the first month on every 10 <i>s.</i> unpaid; every other month, 1 <i>d.</i>	1 <i>d.</i> per share per month till the penalty amounts to sum paid in.
9. What is the largest number of shares held by a member, and what is the average number held by each?	48 subscribing shares; average about six shares.	5 per cent. first month, 10 per cent. second, to borrowers. 150 shares; average a bit eight.	No return.	No return.	115 largest; 12 average.	40 the largest; 6 the average.
10. What was the amount standing to the credit of your investing members for subscriptions at the date of your last report, in balance sheet?	14,648 <i>l.</i> 18 <i>s.</i> 11 <i>d.</i>	65,925 <i>l.</i> 1 <i>s.</i> 6 <i>d.</i>	No return.	No return.	45,000 <i>l.</i>	3,094 <i>l.</i> 15 <i>s.</i> 2 <i>d.</i>
11. What amount have you received in subscriptions during the last financial year?	3,167 <i>l.</i> 15 <i>s.</i> 6 <i>d.</i>	No return.	No return.	No return.	None.	1,125 <i>l.</i> 10 <i>s.</i> 8 <i>d.</i>

Benefit Building Societies in Ireland—*continued.*

QUESTIONS.	BELFAST.					COOLERAINÉ.
	Belfast Economic Building and Investment Society.	Belfast Equitable Building and Investment Society.	Belfast Imperial Building and Investment Society.	Belfast Permanent Building and Investment Society.	Belfast Union Building Society.	Operative Building and Investment Society.
13. What notice do you require for the withdrawal of shares?	One month; but a member cannot withdraw until three years from first taking a share.	A month's notice after three years' membership.	A month's notice after three years' membership.	Any investing member may withdraw on giving seven days' notice, receiving his subscription and 5 per cent. thereon.	None. A member can withdraw when there are funds to pay him off.	One month; cannot withdraw till 12 months from date of entry.
14. Can you check the withdrawal of shares, and do you ever find it necessary to do so?	—	As above.	See No. 13.	—	—	Members withdrawing are paid out in order of application, and as funds come in. Never found it necessary to check withdrawal.
15. Do you make advances to members only, or to non-members also?	To members only.	To both.	To both.	To members only.	To all classes.	Only to members.
16. How are your advances made? If sold, is the premium fixed or not? If not fixed, what is the average amount of it?	Advances of full shares of 30 <i>l.</i> each.	Borrower pays a premium of five eighths per cent. One half of this is returned to him if he pays off in the first and second year.	Advances are made to members in rotation; 5 <i>s.</i> charged.	No premium advances made in the order of application.	No premium, nor any deduction out of the loan.	We charge a bonus of 5 per cent., and lend in order of application. This bonus is carried to reserve fund, and divided equally between investors and borrowers.
17. Do borrowers pay law charges and cost of surveys? and have you any and what fixed scale of law charges, or survey charges?	Yes. 5 shares and under, 3 <i>l.</i> 10 " - - - 4 <i>l.</i> Over 10 - - - 5 <i>l.</i> Stamp duty if required.	Yes.	—	Yes; 10 <i>s.</i> paid for survey; if distant, a further charge.	Yes. Solicitor is paid from 3 <i>l.</i> to 7 <i>l.</i> Survey 10 <i>s.</i> to 20 <i>s.</i>	Borrowers pay 2 <i>l.</i> 10 <i>s.</i> for mortgage. If directors have no personal knowledge of the property, a survey is made. Fee, 10 <i>s.</i> to 1 <i>l.</i>
18. Are surveys made by a professional surveyor, or how otherwise?	Survey committee composed of three directors. Fee of 10 <i>s.</i> charged to member.	Yes.	By a survey committee.	By a surveyor.	By a survey committee of three directors.	Surveyor seldom required.
19. Do you charge commission on advances, or what fees or other payments (if any) are charged to borrowers over and above interest, and premium (if any), and law and survey charges?	No premium, nor any charge but those mentioned.	4 per cent.	None if loan is made. 5 <i>s.</i> if security is refused by society.	No return.	No premium or other charges to borrowers except as above, viz., law and survey charges.	No charge whatever, except bonus of 5 per cent., and this bonus will be divided between both borrowing and investing members.
20. What is the actual rate of interest charged to borrowers, and how is it calculated? If any difference is made between different classes of borrowers state the particulars.	From 6½ to 8 per cent., according to the years the advance is made for. The lowest rate for shortest period, the highest for longest.	As nearly 7 per cent. as possible.	No return.	No return.	Lowest rate about 6½ per cent., varying according to scale; the shorter the scale the higher the interest.	Interest 5 per cent. It is calculated at 8 <i>s.</i> 4 <i>d.</i> per cent. per month. No difference in classes.
21. What is the largest advance yet made by your society, and what is the average amount advanced?	2,100 <i>l.</i> ; about 500 <i>l.</i>	I should say under 4,000 <i>l.</i>	No return.	No return.	4,000 <i>l.</i> , and 5,000 <i>l.</i> ; average about 500 <i>l.</i> or 600 <i>l.</i>	1,100 <i>l.</i> is the largest.

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ON BENEFIT BUILDING SOCIETIES IN IRELAND.

Benefit Building Societies in Ireland—continued.

QUESTIONS.	BELFAST.					COLERAINE.
	Belfast Economic Building and Investment Society.	Belfast Equitable Building and Investment Society.	Belfast Imperial Building and Investment Society.	Belfast Permanent Building and Investment Society.	Belfast Union Building Society.	Coleraine Building and Investment Society.
28. What was the balance due to the society on advances at the date of its last report?	—	78,274 <i>l.</i> 18 <i>s.</i> 9 <i>d.</i>	No return.	No return.	97,105 <i>l.</i> 18 <i>s.</i> 0 <i>d.</i>	3,075 <i>l.</i>
29. On what security are the advances made?	House property and land only.	Freehold and leasehold property.	Freehold and leasehold property.	Freehold and leasehold security.	Leasehold and freehold property.	Houses, lands, and other heritable subjects.
30. Do you generally advance money for the purpose of building, or on houses already built?	Chiefly to build houses.	On both.	No return.	No return.	Both. Generally to build, in which case by instalments.	We do both.
31. Do you make advances on mills, works, or factories?	Rarely. In one case only, and that in company with land.	Very seldom.	No return.	No return.	Yes, have made several.	We have never done so, but would if applied to.
32. Do you advance at all, or advance money largely to builders, and on what conditions?	Not to professional builders.	The advancing money to professional or speculative builders is considered the worst class of loan a society can have.	No return.	No return.	Yes, frequently to professional builders, as to others building for themselves, but not to speculative builders.	Builders are treated as other shareholders.
33. Within what margin of value are your advances generally made?	Two thirds to three fourths of total value.	No return.	No return.	No return.	Two thirds, or at discretion of board of survey.	Three fourths of the supposed market value.
34. Are your advances confined to any locality, or within what local limits are they generally made?	Belfast and suburbs.	No return.	No return.	No return.	They extend to all parts of Ireland, chiefly Belfast.	Coleraine and suburbs. We have also some advances in Portrush.
35. What are the monthly payments made by borrowing members?	According to sum borrowed and term of repaying.	2 <i>s.</i> 6 <i>d.</i> per month.	According to term of repayment. For five years, 10 <i>s.</i> 2 <i>d.</i> per month; 15 years, 4 <i>s.</i> 7 <i>d.</i> , with interest.	It depends on the term. For 5 years, 5 <i>l.</i> 14 <i>s.</i> 8 <i>d.</i> per quarter; 10 years, 8 <i>l.</i> 4 <i>s.</i> 2 <i>d.</i>	10 <i>s.</i> per month and ding to scale.	2 <i>s.</i> 6 <i>d.</i> a month. Borrowers interest of 5 per cent. on advances and instalments.
36. Have your tables or scales of repayment been drawn up or approved of by an actuary?	Not by an actuary; but they have been carefully prepared by the secretary and examined by the trustees.	No return.	No return.	By Mr. Finlaison.	No.	No. We have no "scale;" payments are made as above.
37. If you have more than one scale of repayment, which is the one generally preferred?	The 11 years' scale. The rate of interest on this scale calculated in the monthly payments.	Only one.	One scale only. See 29.	See 29.	From 5 to 15 generally preferred.	—
38. What redemption fees, if any, do you charge?	4 per cent. on principal due at date of redemption.	We have none.	None. Member is required to pay any fines or other charges against him.	None. All fines must be paid up.	The future payments of a member desirous of paying off are received in one sum, and 5 per cent. allowed for the unexpired time.	None.

Benefit Building Societies in Ireland—continued.

QUESTIONS.	BELFAST.					COLERAINE.
	Belfast Economic Building and Investment Society.	Belfast Equitable Building and Investment Society.	Belfast Imperial Building and Investment Society.	Belfast Permanent Building and Investment Society.	Belfast Union Building Society.	Coleraine Building and Investment Society.
33. What fines do borrowing members pay?	For first month 2d., and so on, as per table in rules.	5 per cent. first month, 10 per cent. every other month.	For first nonpayment, 2d.; second, 3d.; third, 4d.; every other, 6d.	For nonpayment of advance repayments, for every 10s. 6d. per week. For extension of time to pay advance, 5 per cent.	6d. for the first month on every sum of 10s.; 1s. for subsequent months of omission.	1d. per month.
34. Are fines often inflicted?	Very frequently, and chiefly by borrowing members who miscalculate their ability to pay.	Yes; but considering the number of members less often than might be expected. All our fines for last year came to 100l., which is about the yearly average.	No return.	No return.	Very seldom.	No. Payments are made very regularly.
35. When is forfeiture incurred, and is it often incurred?	Forfeiture incurred by subscribers when fines exceed payments. By borrowers never.	No return.	No return.	No return.	The directors can sell a borrower's property when he is four months in arrear.	Forfeiture after three months' arrears never yet incurred.
36. Have you any provision for remitting fines and forfeitures?	None, which is a great hardship in many cases.	—	—	No.	No.	In case of poverty, illness, &c., directors can suspend payments of monthly instalments.
37. Do borrowing members share in profits? and if so, to what extent?	No.	Only when they are also investors.	No return.	No return.	No.	No; only as shareholders.
38. Have you borrowing powers in your rules? if so, are they limited or unlimited? if limit, what is the limit?	Have power to take deposits only. Never exercised, trustees disapproving of it.	Our rule says:—The overdraft from bankers and amount due depositors shall not exceed two thirds the amount secured by mortgage to the society, and shall be a first charge on the assets of the society.	No.	No.	Our rules allow us to overdraw our banker, and to receive deposits.	No.
39. Do you borrow money? and if so, in what manner and on what security, e.g., promissory notes, deposits, &c.	Our bankers advance us to a slight extent when required.	See 38.	No.	No return.	On deposit receipts signed by the trustees.	Only by overdrawing bankers' account.
40. What was the balance to the debit of the society on loans other than deposits (if any) respectively, at the date of your last report?	(No return.)	See 38.	No return.	No return.	2,683l. due bank; 44,174l. due depositors.	Nothing.
41. What interest do you give on deposits; or other loans?	5 per cent. on advanced subscriptions.	4 per cent. on call; 4½ for a fixed period, say three or six months.	No return.	No return.	From 4 to 4½ up to 5 per cent.	We consider deposits illegal, and take none.
42. If deposits are taken what is the smallest amount you receive?	(No return.)	10l.	No return.	No return.	20l. is the lowest we take.	No deposits taken.

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ON BENEFIT BUILDING SOCIETIES IN IRELAND.

Benefit Building Societies in Ireland—continued.

QUESTIONS.	BELFAST.					COLERAINE.
	Belfast Economic Building and Investment Society.	Belfast Equitable Building and Investment Society.	Belfast Imperial Building and Investment Society.	Belfast Permanent Building and Investment Society.	Belfast Union Building Society.	Coleraine Building and Investment Society.
43. What was, at the date of your last report, the largest amount to the credit of a single depositor? and what is the average amount of a deposit?	May 1871, about 1,000 <i>l</i> .	3,075 <i>l</i> .	No return.	No return.	2,000 <i>l</i> . I think is the largest.	525 <i>l</i> . 13 <i>s</i> . 3 <i>d</i> . largest at credit of any <i>shareholder</i> . No deposits apart from <i>shareholders</i> .
44. What notice do you require for the withdrawal of deposits? and is notice always enforced?	(No return.)	One month; no members can withdraw until after three years from date of entry.	A member cannot withdraw his share until after three years. He must then give one month's notice.	Seven days' notice for investing members.	A member withdrawing receives from the society the net amount of the subscriptions he has paid, deducting in the first year 5 <i>s</i> . per share. More than one withdrawing will be paid according to priority of notice.	No deposits taken.
45. Have you ever found it necessary to check either deposits or withdrawal of deposits? and if so, how can you do it?	(No return.)	See 44.	No return.	No return.	No.	No deposits taken, fearing it would be unlawful.
46. Do you take loans by way of paid-up shares? and if so, what security do you give for such?	(No return.)	No return.	No return.	No return.	No.	We do. We give no security, and would not give any. The <i>shareholders</i> who have paid in full are glad enough to take all the risks of others. They get their interest at the end of the year. 250 <i>l</i> .
47. What was the balance, if any due, at the date of your last report, to holders of paid-up shares?	5,700 <i>l</i> .	65,925 <i>l</i> . 1 <i>s</i> . 6 <i>d</i> .	No return.	No return.	None.	
48. How are your surplus funds invested?	(No return.)	No return.	No return.	No return.	Never have any, as we can regulate our funds by our deposit account.	In bank, and on property as soon as we can lend it.
49. Does your society purchase land?	No.	No.	No.	No.	No.	No.
50. Does your society build houses, for members or otherwise? and if so, on what terms? and how do you deal with such houses?	No.	No.	No.	No.	No.	No.
51. Is your society connected with any land society or company? and if so, what is the nature of such connexion?	No.	No.	No.	No.	No.	No.

Benefit Building Societies in Ireland—*continued.*

QUESTIONS.	BELFAST.					COLERAINE.
	Belfast Economic Building and Investment Society.	Belfast Equitable Building and Investment Society.	Belfast Imperial Building and Investment Society.	Belfast Permanent Building and Investment Society.	Belfast Union Building Society.	Coleraine Building and Investment Society.
53. Do you lend money to, or borrow from, other building societies? and if so, in what manner, and on what securities?	No.	No.	No.	No.	No.	No.
53. How are your accounts audited? and how are your balance sheets, as the results of your transactions, communicated to your members?	By a committee of three members. A balance sheet is sent to each member a week before annual meeting.	No return.	Two auditors are elected every year to audit accounts, inspect securities. Their report is countersigned by the secretary.	No return, except the transactions of the directors and of all committees shall be entered in a book open to members at all meetings.	By two auditors appointed by the shareholders.	Annually, by two auditors chosen by the shareholders. Balance sheet sent to each shareholder.
54. Are your securities ever valued? and if so, when and by whom?	Never, except when being accepted.	No return.	See 53.	No return.	No.	Yes, annually by the auditors, who personally know the properties.
55. In what manner does your society take account of premiums for advances?	No return.	15s. per share for 5 years, 25s. per share for 15 years. This is to pay working expenses. A borrower can understand at once what he has to pay. He has no redemption fees to pay, but simply the balance of principal.	A member on applying for an advance pays 10s., and 1s. for each mile beyond two miles, to defray expenses of survey.	No premium for advances.	No premium charged for advances.	The bonus is paid on the borrower getting his loan. Treasurer lodges same in bank, and an account kept of all.
56. Do you supply all your members with copies of your rules, both original and amended?	Yes.	Yes.	No return.	No return.	Yes.	We do.
57. How are your rules amended?	Yes, twice, 1867 and 1869.	At monthly meetings, notice of which must be read at two meetings, and sent to members, before amendment is made. Three fourths of the members must then concur.	At any monthly meeting, notice and requisition signed by seven or more members being sent to each member. Three fourths must concur.	At a general meeting convened for that purpose.	At monthly meetings, notice of which must be read at two meetings, and sent to each member. Two thirds must concur in every amendment.	By the unanimous advice of the shareholders.
58. What offices have you? and what are your expenses of management?	One office. About 8 per cent.	One office. No return of expenses.	No return.	No return.	One office. Our expenses average 840l. per annum.	Board of 12 directors, ditto (separate) 3 trustees, treasurer and secretary. None of the officials are paid. Total cost of management for last year, 8l. 14s. 6d.
59. What is the number of your members? and is it increasing or diminishing?	319. Increasing.	No return.	No return.	No return.	190 investing members. When they sell it is generally to shareholders, and it is gradually getting smaller.	71 present number. Members are gradually increasing.

Benefit Building Societies in Ireland—continued.

QUESTIONS.	BELFAST.					COLERAINE.
	Belfast Economic Building and Investment Society.	Belfast Equitable Building and Investment Society.	Belfast Imperial Building and Investment Society.	Belfast Permanent Building and Investment Society.	Belfast Union Building Society.	Coleraine Building and Investment Society.
60. To what classes do your members generally belong? and what proportion of them would be working men in receipt of weekly wages?	Artisan classes, shop assistants, clerks, &c.; a very small proportion working men.	To the working classes chiefly. The average number of shares would be about eight, a great many have four.	No return.	No return.	Tradesmen, merchants, and people out of business, clergymen, clerks, and the better class of workmen.	All classes are represented. 23 are working people in receipt of weekly wages.
61. If you have depositors who are not members, to what classes do they belong? and what proportion of them would be such working men as above mentioned?	We have not.	We have none. We are not at present receiving deposits at all, as we do not require them.	No return.	No return.	As above, but with a greater proportion of workmen who have saved 20l. or 30l., and lodged it on receipt, so that they can get it when they want it.	No depositors who are not shareholders.
62. Are your working men members, or your working men depositors, increasing or diminishing in number?	Not increasing.	No return.	No return.	No return.	Increasing (depositors, I mean), for when the shares rise to a premium of 4l. or 5l. per cent. the working men generally sell out and lodge the money on deposit.	Increasing gradually. They are all shareholders. No depositors other than shareholders.
63. What would be the lowest, and what the average, weekly wages earned by your working men members? and by your working men depositors?	About 30s. a week, as they are principally bricklayers and carpenters.	No return.	No return.	No return.	Average would be about 2l., I think.	From 8s.; average may be stated as 12s. to 15s.
64. Are your working men members chiefly investors or borrowers?	They have been about equally divided.	Both.	No return.	No return.	Chiefly depositors; some few borrowers.	Nine have borrowed on houses they have built. The others are likely, all paying in, to borrow to build.
65. What would be the lowest, and what the average, value of a working man's house in the locality or localities where your business is chiefly carried on?	8l. to 10l. a year.	No return.	No return.	No return.	50l. the lowest, and about 80l. the average.	130l. average value of houses built by working men in the society, in this locality.
66. Do you consider the present state of the law on the subject of Building Societies satisfactory or not? and, if not, on what points and how should you wish to see it amended?	Does not work satisfactorily. The rate of interest for loan for a long period is too high, the fines generally oppressive, and the rules too stringent. Too little discretion is left to the directors in remitting fines, &c.; and the present mode of altering rules when found objectionable is tedious and objectionable.	The chairman of the county ought to have power to decide questions of title between the society and the borrowing members (see qn. 13,906, Belfast evidence). We want an easier and cheaper mode of getting possession of property in case a defaulting member will not give it up (see 13,907-8).	No return.	No return.	We want some cheap process of getting possession of property mortgaged without the delay and expense of ejectment. The chairman of the county has no power to give an ejectment at the suit of a mortgagee, and we are thus driven into the superior courts.	The 6 & 7 Will. 4. c. 32. is limited, but a good law. It should be enlarged in respect to borrowing powers at all events.

Benefit Building Societies in Ireland—continued.

QUESTIONS.	BELFAST.					COLEBAINE.
	Belfast Economic Building and Investment Society.	Belfast Equitable Building and Investment Society.	Belfast Imperial Building and Investment Society.	Belfast Permanent Building and Investment Society.	Belfast Union Building Society.	Colebaine Building and Investment Society.
67. Are you acquainted with Mr. Gourlay's bill for the consolidation and amendment of the law on the subject of Building Societies? and if so, to what extent, if any, do you approve of it?	I am not.	"I have seen it, but am not accurately acquainted with it" (18,912).	No return.	No return.	I have seen Mr. Gourlay's bill, but am not prepared to say anything about it.	
68. Do you think the registrar's certificate useful to Building Societies, or do you think any other mode of registering or certifying rules would be better than the present one?	I don't know its utility.	No return as to certifying. The chairman of the county could better settle accounts between borrower as mortgagor and the society than the registrar, more cheaply, from the latter living in Dublin, where evidence must be taken.	No return.	No return.	I think the registrar might be allowed to receive the accounts and proper vouchers, register them, and give a complete discharge and release to the mortgagees. This would give him great power over our dealings with money; but there is no Belfast society that would not prefer having a tribunal before whom their accounts should be laid, i.e. as far as concerns the society as the mortgagee, and the mortgagor. I am not referring to accounts between the directors and the members, on which the registrar has no opinion at all.	We consider his certificate useful in registering and certifying rules.
69. Supposing the office of registrar maintained, do you think the registrar's certificate should be conclusive as to the legality of a Building Society?	I could not say.	No return.	No return.	No return.	Yes, it should be held conclusive both in law and equity.	
70. Do you think he should have any discretion as to certifying rules which he considers objectionable, although they may not be illegal?	Decidedly, if his office is to be at all useful. It is the very point his office would be useful for.	No return.	No return.	No return.	Certainly; he should be instructed to refuse to certify all rules he considers objectionable.	
71. Do you think an appeal should be allowed from his decision as to certifying or refusing to certify any rule, in any and what cases? and if so, to what authority?	—	No return.	No return.	No return.	No. The registrar should be fully acquainted with the law of Building Societies, and be subject to Government only.	
72. What returns, if any, do you think that Building Societies should make to the registrar, or to any public office?	Annual returns, as at present should, I think, be sufficient.	No return.	No return.	No return.	Similar returns to those made by joint stock companies.	
73. Do you think any mode or form of auditing or publishing Building Societies' accounts should be enforced by law?	Doubtless it would prove very useful.	No return.	No return.	No return.	Yes; a return should be enforced by law.	
					Accounts between the society and its shareholders should be audited by auditors appointed by the shareholders. Disputed accounts between the society and its borrowers to be referred to the registrar.	

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ON BENEFIT BUILDING SOCIETIES IN IRELAND.

Benefit Building Societies in Ireland—continued.

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QUESTIONS.	BELFAST.					COLEBRAIN.
	Belfast Economic Building and Investment Society.	Belfast Equitable Building and Investment Society.	Belfast Imperial Building and Investment Society.	Belfast Permanent Building and Investment Society.	Belfast Union Building Society.	Colebaine Building and Investment Society.
74. Do you think Building Societies' accounts should be audited by any public officer? and if so, how should he be remunerated?	I think that if there may be an auditor to inspect the accounts of public companies, that power extended to Building Societies would be a wholesome check to any attempt at cooking.	No return.	No return.	No return.	In case of property being sold and a surplus left, I think the account against that property should be audited by the Government auditor, the balance placed to his or the registrar's credit, and a certificate given to clear the society.	No; the shareholders are the proper parties to choose the auditors.
75. Do you think the registrar's powers (if the office be maintained) should be limited or enlarged in reference to Building Societies? and if so, in what respects?	In my opinion he should have power to refuse a certificate to a society which had any rules likely to prove oppressive, who charged too great or too little interest, or whose fines exceeded 10 per cent. per annum on the amount due.	Enlarged as in 2.	No return.	No return.	I know no tribunal cheaper than the registrar for arbitration. His power to be enlarged as before described.	We consider the registrar should not only certify rules but present to Parliament an annual return from all societies, and to give a legal opinion if required, so as to prevent societies transgressing the law.
76. Do you think it would be beneficial if the registrar were empowered to act as arbitrator, or as umpire in Building Societies' disputes? or to what tribunal should they be referred?	This would be a very useful office for him. His special knowledge would make him a very apt person, and give confidence in his decisions.	No return.	No return.	No return.	Compulsory winding up by the registrar; voluntary by a liquidator appointed by shareholders.	We would prefer the parties choosing an arbitrator, or trying the barrister at quarter sessions.
77. Do you think the winding up of Building Societies should be conducted by the registrar? or by what other tribunal?	This would be a suitable office for the registrar.	No return.	No return.	No return.	We have power to overdraw our bankers, and receive deposits as well.	Would prefer three fourths of the shareholders to determine this.
78. Do you think Building Societies should have by Act of Parliament power to borrow money, especially by way of deposit? and if so, should such power be limited or unlimited? and what, if any, should be the limit?	I don't know.	Our rule says, "The overdraft from bankers and amount due to depositors shall not exceed two thirds the amount secured by mortgage to the society, and shall be a first charge on the assets of the society."	No return.	No return.	Borrowing power ought to be unlimited.	We think they should have the power to borrow money on deposit just as banking companies have. Government might even allow Irish and Scotch societies to issue a few notes under restriction, which would be a great benefit for good societies.
79. Do you think Building Societies should have power to purchase land, or to enter into building contracts; and, if so, should that power be subject to any limit or condition?	I don't think they should.	No return.	No return.	No return.	No return. "In some cases we have lent money on land."	They might be allowed to purchase land, if limited to the amount of their surplus funds.

FRIENDLY SOCIETIES' COMMISSION.—REPORT BY MR. DANIEL.

Benefit Building Societies in Ireland—continued.

QUESTIONS.	BELFAST.					COLERAINE.
	Belfast Economic Building and Investment Society.	Belfast Equitable Building and Investment Society.	Belfast Imperial Building and Investment Society.	Belfast Permanent Building and Investment Society.	Belfast Union Building Society.	Coleraine Building and Investment Society.
80. Do you think the present exemption from stamp duties enjoyed by Building Societies should be maintained, repealed, or in anywise altered?	Maintained certainly, and some much more easy mode of releasing Building Societies' mortgages should be adopted.	No return.	No return.	No return.	Building Societies' documents should all be exempt from stamp duty.	Undoubtedly maintained.
81. Do you think Building Societies should be incorporated?	(No return.)	—	—	—	—	Yes; and by one uniform Act of Parliament.
82. Do you think the business now carried on by Building Societies, or by any particular class of them, could be as well carried on under the Companies Acts, or under the Industrial and Provident Societies Acts, and if not, why not?	There are a good many advantages under the Companies Act, which a Building Society can't avail itself of. Besides, in a company, the minutes are not made public to the members as in a society, thereby showing all the transactions with borrowers, agreeable and otherwise.	We would wish to be put on the same footing as Industrial and Provident Societies, as far as obtaining possession of property mortgaged to the society on which payments have failed.	No return.	No return.	I think we ought to have the benefit given to us of the Industrial and Provident Societies Act, as far as regards suing and being sued as a society, and not through trustees, which sometimes involves the latter in risk and responsibility, which cannot be averted without considerable expense.	No; the 6 & 7 Will. 4. c. 82., if used as a basis, and if extended so as to grant borrowing powers, &c., is needed, so as to form one uniform Act.
83. What misdoings or omissions by Building Societies or their officers should be made legally punishable, and what should be the mode of punishing them?	I really don't know.	No return.	No return.	No return.	When any officer commits a fraud, he should (and can) be punished under the penal laws.	Each trustee and director ought to be responsible for his own intrusions only.
84. Do you think that if the registrar's office be retained, there should be, as now, three independent registrars in England, Scotland, and Ireland, registrars in Scotland and Ireland subordinate to the English registrar, or would one registrar in England be enough?	Not at all. Leave us nearer the office even than Dublin, if possible.	No return.	No return.	No return.	Independent registrar with equal powers.	This should be determined by the work to be done.

APPENDIX No. 3.

FORM which MR. OWEN considers sufficient for the ANNUAL ACCOUNTS of both TERMINATING and PERMANENT BUILDING SOCIETIES.

CASH RECEIPTS.														
Date.	Name.	Particulars of Items.	No.		INVESTING SHARES.			ADVANCED SHARES.		Costs, Solicitor, Surveyor, and Insurance.	Interest.	Other Receipts.	Totals.	Lodgments in Bank.
			Register.	Ledger.	Sub- scription.	Fees.	Fines.	Deposits.	Repay- ments.					

CASH PAYMENTS.																
Date.	Name.	Particulars of Items.	Numbers.		INVESTING SHARES.		DEPOSITS.		ADVANCED SHARES.	Costs for Advanced Share-holders.	WORKING EXPENSES.				Other Payments.	Totals.
			Register.	Ledger.	Principal.	Interest.	Principal.	Interest.	Instal- ments on Loans.		Repairs and Furniture.	Rent and Salaries.	Printing and Stationery.	Adver- tising.		

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