

## APPENDIX No. 3

fore be a necessity, but when their field is limited to a very small area, as it is in the present case, the same necessity cannot have force enough to justify in running the risks of the numerous abuses that can and do very often arise with proxies.

## CREDIT CONFINED TO MEMBERS.

But apart from the highly effective safeguards already enumerated, there are many others of a very important character which deserve to be pointed out in order to give a correct conception of the system advocated for the good of our working classes. In the first place, members only are to enjoy the right to borrow from the association, and members are chosen by the board representing the society.

Mr. Wolff rightly insists, with great force, upon this point:—

‘The first safeguard relied upon is the election of the person to whom the loan is made, as a trustworthy, respectable, presumably honest and honourable person. Lending to non-members would be altogether contrary to the principle of the bank.’

Mr. Wolff here adds that this ‘favourable judgment passed upon the incoming member by his neighbours, already in the bank, consequently interested in its welfare and success, forms the first wall of security for the society. The man has been judged eligible; therefore presumably, up to a certain point, he is to be trusted.’ (Co-operative Credit Banks, page 28.)

Then, the credit that can be granted to members is assessed by a commission specially appointed for the purpose and perfectly independent in their dealings, and they have no remuneration for their services, having therefore no fear to lose anything by discontentment on the part of members having been refused loans. Upon this point again, Mr. Wolff is very positive:—

‘Co-operative banks, therefore, are in a peculiarly strong position to deal with their members. If they do not in all cases insist upon knowing all about every loan—some people’s banks do—they are aware that they possess substitutes for such knowledge. In addition to profiting by the touch or the means of information at their command, which have been already explained, they may appoint special ‘discount committees,’ sometimes with a ‘risks committee’ tacked on as a supplementary institution. The business of the ‘discount committee’ is, so to speak, to ‘assess’ every member in respect of credit, to mark against his name, on a register kept strictly private, known as the ‘castelletto,’ a figure representing the credit which the manager will be authorized to give without further inquiry, always assuming the member’s credit not to be already otherwise pledged. Two or three members, combining for the purpose, may assign their joint credit to one of their number. Should a larger credit be asked for, the manager will have to refer the matter to the committee, which may or may not decide to grant it, securing itself as it thinks proper. The ‘risks committee’ keeps full records of all the transactions engaged in, both with members and their sureties (who are often outsiders), as to amount, promptness of repayment, any trouble given, &c. The registers, carefully kept and admirably indexed, serve as a most valuable guide for further transactions. By means such as those indicated, the interests of the bank may be pretty effectively safeguarded, subject to further securities such as every loan transaction presupposes.’ (Co-operative Credit Banks, page 32.)

## SUPREME AUTHORITY VESTED IN THE GENERAL ASSEMBLY.

Moreover, the members are not like ordinary shareholders in joint stock companies who, most of the time, are made cognizant of the wrong when the wrong can no longer be effectively remedied, being governed by an almost autocratic board of directors who for twelve months can, to a very large extent indeed, do as they please. In a co-operative society the members delegate only such powers as are absolutely necessary to the proper working of the routine business, and keep to themselves the