BILLE NA mBANNAÍ TALÚN, 1991

LAND BOND BILL, 1991

EXPLANATORY MEMORANDUM

General

This Bill provides principally for dissolution of the Guarantee Fund established under the Purchase of Land (Ireland) Act, 1891, and the Land Bond Fund established under the Land Act, 1923, and the transfer of moneys therein to the Exchequer. The moneys needed to pay dividends on and to redeem land bonds came from these Funds. The Funds are no longer required because all outstanding land bonds were redeemed on 3rd April, 1989. The Land Act, 1923 (as amended), and the Land Bond Acts, 1933 and 1934, (as amended) provided the statutory authority for the redemption of the bonds.

Background

Land bonds were Government stocks which were used by the Land Commission to acquire land. A fixed rate of interest was paid annually on the bonds until redemption occurred. There were no fixed redemption dates for land bonds: instead, redemption was effected by means of an annual draw. The bonds were quoted and traded on the Stock Exchange.

Persons who sold their land to the Land Commission received land bonds as payment while those to whom lands were allocated by the Commission usually paid for them by means of annuities. These annuities went into the Land Bond Fund, into which were also paid approximately matching amounts annually from the Exchequer. Moneys in this Fund were used to pay the interest due on the land bonds and to provide a sinking fund or source of finance to enable annual redemptions of land bonds to take place.

The Government decided in 1989, when the value of outstanding land bonds was approximately £76 million, to redeem them all at par out of general borrowing. This made the Land Bond Fund and the related Guarantee Fund redundant and the main purpose of the present legislation is to wind up the Funds, transfer the balances therein to the Exchequer and arrange that future annuities which would have accrued to the Land Bond Fund are now used for the benefit of the Exchequer, thus making a contribution towards servicing the borrowing incurred to redeem the bonds.

The opportunity is also being taken in this Bill to make other related provisions consequent on the land bond redemption.

Section 1 of the Bill is self-explanatory.

Section 2

The purpose of *section 2* is to provide that cash may be substituted for land bonds not yet registered in a claimant's name at the date of redemption, 3rd April, 1989. It also provides for the placement on deposit of such cash together with any accrued interest due as at the redemption date while the individual's land title is being examined. All interest earned on deposit, less tax, on the aforementioned cash sums will be paid to every claimant entitled to payment as soon as his title to the land sold to the Land Commission is proven.

Most of the land purchased by the Land Commission was paid for with land bonds. The land bonds and any interest accrued thereon were held by the Land Commission until the former land holder's title to the land was examined and cleared. The land bonds were then registered in that person's name and any accrued interest paid out to the individual concerned. The redemption of all land bonds on 3rd April, 1989, however, resulted in cash being substituted for those land bonds awaiting registration.

Section 3

The purpose of *section 3* is to provide that costs involved in the sale of land to the Land Commission can now be paid to the vendors in cash instead of land bonds.

The Costs Fund was created for the purpose of reimbursing vendors of land acquired by the Land Commission for their costs of sale. The fund mainly consisted of land bonds, amounting in value to 2 per cent. of the value of land bonds advanced as land purchase money. Vendors' costs were accordingly paid for by means of land bonds. The redemption of all land bonds on 3rd April, 1989, for cash meant, however, that the Costs Fund itself now consisted of cash only. Hence the need to provide that vendors' costs could now be paid in cash rather than in land bonds.

Section 4

This section provides for the dissolution of the Guarantee Fund and the transfer of its assets to the Exchequer.

The Guarantee Fund was established under the Purchase of Land (Ireland) Act, 1891. The Guarantee Fund's main purpose became the repayment of advances made from the Central Fund to the Land Bond Fund, which the latter itself could not repay because of arrears of land purchase annuities. Arrears later recovered were paid into the Guarantee Fund. The redemption of all outstanding land bonds in 1989 made the Land Bond Fund, and therefore the Guarantee Fund, redundant.

Section 5

This section provides for the dissolution of the Land Bond Fund and for the payment of any sums in the Fund at the time of dissolution, together with sums due to the Fund in the future, to the Exchequer.

The Land Bond Fund is no longer required because all outstanding bonds have been redeemed. In this circumstance, it is necessary to provide for transfer of the moneys in the Land Bond Fund to the Exchequer. Likewise, it is necessary to provide that annuities, which in the normal course would be paid into the Fund, be now paid into the Exchequer.

Section 6

Section 6 (1) becomes necessary once the Guarantee Fund is dissolved, as provided for in *section 4*. It provides for deletion of the provision in the Land Act, 1923, as amended, that requires the Guarantee Fund to make good the advances made by the Exchequer to the Land Bond Fund. Similar references elsewhere to the Guarantee Fund are deleted by *sections 6 (2)* and *6 (3)*.

Sections 6 (2) and *6 (3)* also transfer to the Central Fund alone the liability formerly borne on the Land Bond Fund for the servicing and redemption of land bonds and provide that advances made to the Land Bond Fund by the Exchequer shall be non-repayable.

The sums required to pay the interest on land bonds and to redeem them were payable out of the Land Bond Fund. If the sums in the Land Bond Fund were insufficient for that purpose, the shortfall was made good out of the Central Fund. However, any draw on the Central Fund had to be repaid by the Guarantee Fund. The advance of some £76 million made in 1989 from the Central Fund to the Land Bond Fund for the redemption of all land bonds together with previous advances could, however, never be repaid by the minor assets or possible future income of the Guarantee Fund. Therefore, *section 6* of the Bill deletes the requirement that advances from the Central Fund should be repaid by the Guarantee Fund. The Central Fund is, instead, made solely liable for the land bond interest and redemption sums (*sections 6 (2)* and *6 (3)*).

Section 7

Section 7 Provides for the waiver of cottage purchase annuities collected by the Land Commission.

Where a person paid an annuity to his Local Authority for a cottage, purchased under the Labourers Act, 1936, and was, or subsequently commenced, paying a land purchase annuity to the Land Commission for land received, the Land Commission arranged to collect *both* annuities and was obliged to pay the Local Authority the collectable cottage purchase annuities in full, regardless of the occurrence of arrears. The Guarantee Fund was liable for the shortfall caused by arrears. The dissolution of the Guarantee Fund under *section 4* of this Bill meant that another way of dealing with the cottage purchase annuities had to be found. Because of the small sums involved, the most cost effective solution is the redemption of the cottage purchase annuities by the Exchequer, and the waiving of same so that the annuitants will no longer be issued with demands for payment.

Section 8 contains standard provisions.

An Roinn Airgeadais,
Samhain, 1991.

Wt. P26707/B/11. 1,325. 11/91. Cahill. (A24982). G.16.

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Section 8 contains standard provisions.

An Roinn Airgeadais,
Samhain, 1991.

Wt. P26079/B11. 1,325. 11/91. Cahill. (X20932). G.16.