

Consumer Credit Controls

I support the suggestion in respect of a cooling off period which would allow the purchaser to reconsider the transaction. Whether that period should be four days in length, longer or shorter, I do not know; but in respect of some of these products, such as water softeners, siding and so on, it is difficult for the purchaser to ascertain within four days whether they are of reasonable value. At least a cooling off period would allow them an opportunity of reconsidering the whole matter, in light of what they will eventually have to pay. There should be some provision whereby purchasers can nullify these contracts without penalty. As a matter of fact, any reputable company in Canada, permanently established, will give this kind of assurance.

The provisions of the bill now before us would not impose any great burden or hardship on a legitimate business enterprise, because a legitimate business enterprise guarantees its product to be as good as advertised, or to perform the service which it is advertised to perform. I think this is a very important consideration.

● (5:40 p.m.)

It is not in the bill at all. I admire the provision in the bill to give more prominence to a warning to purchasers that their promissory notes can be transferred to third parties and are collectible by them. Many people do not realize that. We know, of course, that one of the old, traditional ways for a purchaser to register a protest against a company or person who has sold him an inferior product is to stop payment. However, if this bill is passed in its present form with no additions to it, I am afraid it will strengthen the position of third parties to the extent that they will be even more willing to buy such paper in the future. For that reason I am a little apprehensive about passing the bill in its present form. As I have said, I think it might even provide an incentive for this practice to become even more widespread among unscrupulous businessmen.

Mr. Ryan: Would the hon. Member permit a question?

Mr. Olson: Yes.

Mr. Ryan: Has the hon. Member read the clause limiting interest rates? That is the reason for that clause being in the bill. The limit on the first \$500 is 12 per cent and on anything over \$500 it is 6 per cent.

Mr. Olson: I have read clause 8 carefully, but I am not completely convinced that by

itself it will be sufficient to stop the trafficking in promissory notes. For example, I know that in Medicine Hat a group of people bought water softeners for which they paid \$450 each and they signed promissory notes. The same kind of equipment could have been bought for less than \$100 from a reputable company which would have guaranteed that the apparatus would perform reasonably well. But these other water softeners were installed and these people were caught. I do not know how much the original vendor got for the promissory notes, but I suggest it was probably less than 50 per cent. Therefore, even if the interest rate were limited to what the hon. Member for Spadina (Mr. Ryan) suggests, it would not really be a deterrent if at the same time we strengthen the position of the third and fourth parties, and so on, who may own these pieces of paper.

I am not going to take a lot of time, Mr. Speaker. I should like to see the bill passed because I think its intent is very good in seeking to deal with a most serious problem. But I really must add that the bill does not go far enough because it does not provide for an opportunity for the original purchaser to back out of the deal within a specified length of time and it does not provide for the guarantee that the goods are satisfactory to be transferred to and assumed by subsequent purchasers of the paper.

A very serious problem has grown up in Canada in this regard because in my opinion the banks have been reluctant to meet the demand for consumer credit that has been evident in Canada for some years now. I hope the banks will come to realize that the demand for consumer credit constitutes a very large market and that it is a field where they should be much more active. They should not resist applications for consumer credit for the purchase of household appliances and so on. I know there is a lot of paper work involved which is perhaps a nuisance to some extent in the case of these very small loans that have to be collected on a monthly basis. However, at the same time it is the failure of the banks to provide this kind of credit that has permitted many of these consumer finance corporations to engage to such an extent in what I call an illegitimate business.

Mr. D. S. Macdonald (Parliamentary Secretary to Minister of Justice): Mr. Speaker, first of all I should like to refer to the remarks of the hon. Member for Timiskaming (Mr. Peters) and the hon. Member for Medicine Hat (Mr. Olson), and particularly their es-