

21. The Committee will be interested in the progress of disclosure legislation in other countries, where consumer credit is an important contributor to the high standard of living which its citizens enjoy. In the United States, thirty states have enacted dollar disclosure legislation, whereas none has enacted per annum interest rate disclosure legislation. In view of the importance of consumer credit in the economy of the United States and the established body of experience with credit legislation at state levels, the absence of a single enactment of interest rate disclosure is significant.

22. We also draw the Committee's attention to the report made in July, 1962, by the President of the Board of Trade to the British Parliament concerning the protections afforded by law to the British consumer. This report, known as the Moloney Report contains the following paragraph, headed "Ignorance as to Interest Rate":

Another suggestion springing from the consumer's supposed ignorance of the amount of the additional charge levied for credit was that the difference between the hire-purchase and the cash price should be declared to the hirer as a percentage rate of annual interest on the average sum outstanding over the repayment period. This would help only those hirers who study their agreements, and we credit persons who take the trouble to do this with the capacity to observe and appreciate the difference between the hire-purchase and the cash price. Such persons would not be assisted by a further statement of the interest rate. We observe, however, that the consumer does not appear to be incapable of distinguishing between different scales of hire-purchase charges, since there are some dealers who inflate the stated cash price so as to make hire-purchase terms offered by them appear to be more attractive. We condemn this practice but we do not know how to stop it; any more than we know how to stop verbal misrepresentations of the interest rate. To regard the hire-purchase charges as merely an interest rate on a loan is in any event fallacious, as they must also cover the costs of setting-up the agreement, of collecting and recording payments and of bad debts.

23. In common with all responsible segments of the business community engaged in the extension of consumer credit, the sales finance industry advocates full disclosure of meaningful information concerning the cost of credit. We strongly endorse the submission made to this Committee by the Canadian Chamber of Commerce in October, 1964, which accurately reflects the views of Canadian business on this subject.

24. While we have argued in favour of dollar disclosure, we feel it is important to observe that blind faith in the dollar form of disclosure can also mislead the consumer. All or some portion of the cost of credit can be buried in the price of the article, just as is true of the cost of any other related service, such as "free" delivery. The only way in which consumers can get the most for their money in a credit purchase is to hold the length of the contract constant and then to compare the total dollar cost of the product and the credit service. In comparing two or more alternative offers, preoccupation with either the dollar or interest cost of the credit service could lead to an unwise choice, whereas comparison of the total dollar cost of the transaction will immediately disclose the most advantageous purchase. Only in the unlikely instance of both cash prices being identical would an interest rate comparison be meaningful, whereas full disclosure of the dollar cost of credit alerts the customer to its presence and permits a valid comparison, regardless of any variance in the cash price.