The man on the street thinks of the cost of borrowing money as interest, and generally speaking, that is the cost as far as the businessman is concerned when he is lending mortgage money or borrowing himself. But when he is dealing with the private consumer the word "interest" is taboo. So deep-seated is the desire to avoid speaking of interest rates that a representative of the sales finance companies said they figure their business in terms of "the return per $100 that we make available". A member of the Committee quickly observed that this was really the same thing as talking about percentages. In dealing with the consumer a separate method of calculation is used: all costs of a loan are usually lumped together in what is called the service cost for the whole transaction. Abandonment in transactions with the consumer of the age-old and otherwise universal practice of expressing yield on money as a percentage per annum was singled out by the Nova Scotia Royal Commission as "the direct and principal cause of much of the confusion which undoubtedly exists today concerning the cost of lending and credit."

The Nova Scotia Royal Commission pointed out that, without exception, disinterested Canadian sources favor disclosure of the cost of credit as a rate of interest. For loans regulated under the Small Loans Act, of course, all related charges are included in the cost of the loan. Opposition to extending this concept to larger loans and to retail credit agreements "has almost exclusively come from the industry, particularly from the highly vocal and well-organized sales finance companies who have mounted an extensive campaign against it."

Those who undertake to pay finance charges are in a poor position to assess their value when they are given no information as to how the charges are made up. Representatives of the finance companies who appeared before us estimated that more than half of the cost of the money they provide is for other than interest charges. We learned from the Chamber of Commerce delegation that "... most retail stores find two-thirds of the cost [of extending credit] is other than interest, and one-third may be classed as money cost. The other costs are legal, staff, space, telephone, stationery, investigation, collections, reserve for losses, etc. The charge for forebearance, or what we think of as interest, will cover only one-third of the actual cost of most retail transactions on credit."

No person has suggested that interest is not a factor in the cost of lending money. Professor Ziegel assured us that "so far as economists are concerned, interest means the cost of the loan or other credit being extended". That is not, however, the judicial interpretation. Admitting