quality in every respect. Assume further that they are offered on twelve-month contracts. If the following are the contract terms, which store should the consumer favour?

	Store A	Store B
Cash Price	$ 310	$ 325
Finance Charge	30	20
Total Price	340	345
Annual Rate of Charge (constant ratio method)	17.9%	11.4%

It is clear that the consumer who makes his decision on the basis of the interest rate will buy the wrong refrigerator and lose $5 on the transaction. Because of the ease with which finance charges may be buried in the prices of goods and services sold on credit, focusing attention on the interest rate may confuse the consumer and provide opportunities for exploitation by some unscrupulous retailers.

19. The argument that the consumer should know the "true" cost of his credit is based fundamentally on the belief that there is an excessive use of consumer credit and excessive charges for its use. Some proponents of the rate form of statement believe that if consumers only "realized" the cost of their credit, they would either buy for cash or postpone purchases. Probably relatively few consumers are torn between buying for cash or buying on credit. If they are to acquire the product or service, they must either use credit or postpone the purchase. There is really no evidence that the "shock effect" of the cost of credit will be any greater under the rate form of statement than under the dollar form. Disclosure of both rate and dollars may result only in confusion. In the transaction shown below, which will make the greater impression on a consumer who wishes to finance the $2,400 unpaid balance on a new car over three years: to be told that the finance rate is 11.7 per cent per annum or to be told that the finance charge is $432.00?

Cash price	$ 3,000
Down payment	600
Unpaid balance	2,400
Finance charge	432
Total balance including charges	2,832
Annual rate of charge (constant ratio method)	11.7%

If the consumer is considering postponing the purchase of the car for three years, it seems just as helpful for him to know that he will save $432 as to know that he will avoid a finance rate of 11.7 per cent. Of course, in many cases the consumer's only choice is between buying on credit or postponing the purchase.

20. To date, proposed legislation at Federal and Provincial levels has largely been directed towards the consumer credit provided by department stores and other retailers, many of whom use the services of our industry. In contrast, the credit extended by chartered banks and credit unions has often been explicitly exempted. If the purpose of such legislation is to enable the consumer to make intelligent comparisons among competing credit sources, we fail to see how this will be accomplished. Chartered banks will generally express their loan rate in terms of interest and a service charge. Credit Unions use still another method. The consumer will thus be forced to fall back on a comparison of the cost of credit in dollars and cents. Any legislation which discriminates among the various sources of consumer credit will not work to the advantage of the consumer.