

Small Loans Act

very seldom in terms of round figures. There is always a balance of 73 cents or 99 cents or something awkward that is indivisible by almost anything, and it is a difficult proposition because you have 12 months and that is the thing that they do not realize.

The type of advertisement to which I particularly object and which I would like to see amended, together with this Small Loans Act, is the type of advertisement which shows the repayment month by month and does not show the rate of interest charged. By design or by mathematical accident, it may well be, these things are almost always stated in odd numbers which make the arithmetic difficult.

Lest I be misunderstood, I want to take a simple example, and I have given an example in a previous debate. I will put the matter in simple figures and I am thinking of the situation that existed some time ago before Bill 51 imposed certain restrictions on the interest. Let us say you are going to borrow \$1,200. The advertisement says that you get \$1,200. We will say that at the end of the first month you repay \$112, at the end of the second month \$112, until you get down to the twelfth month. We will assume that the loan is for a year. At the end of the 12 months you look the matter over and you discover that for the use of that money—I am saying nothing further for the moment; I am not mentioning the terms—you have paid \$144. The person who is none too adroit at figures and who is perhaps not too particular because of the trouble he happens to be in will say that he has paid \$144 for the use of that money and that looks like 12 per cent. He will say that is pretty high but that he needed the money and that maybe it was worth 12 per cent to get the money.

The catch is, of course, that it is not 12 per cent. It is not even double 12 per cent, or 24 per cent. It is more than double the 12 per cent that on its face it appears to be. The explanation is perfectly simple. Actually he only had the use of \$1,200 for one month. At the end of the first month he repays \$100 and at the end of the second month another \$100, at which time he only has the use of \$1,000. So it goes down the line until he gets down to the last month when he only has the use of \$100 for the final month but pays exactly the same amount of interest. No, I did not say the same rate. He pays the same amount of interest each month but in each month on a different and decreasing amount of money. Therefore, it does take something of an arithmetician to sit down and calculate exactly the rate of interest he has paid.

Personally, I have had complaints about these things. People get into these jams and

[Mr. Knight.]

they come to me or to some other member of parliament and talk about their troubles. I have had these complaints and people have said to me that they never realized they were getting themselves into anything like that. You see, they had read an advertisement saying something like "just come to us and end your money troubles." A so-and-so loan "ended my worries." Look at how this man's worries were ended. He had been paying \$60 or \$65 a month on furniture or something else and discovered he could not do it. So he went to the loan company and he says, "You know what they did for me? Not only did they lessen the amount I had to pay back each month but they actually gave me some more money to take home with me." They lowered the amount he had to pay each month and he was a happy man. Of course, the thing that he neglected was that his troubles were not ended but were just beginning because he had contracted to double the time of his contract and repay a somewhat smaller amount per month than he had been paying.

For that reason and for the other reasons I have stated, I think that the government would be justified in passing a bill of this sort. Here is a class of people who in the first place are perhaps somewhat underprivileged. They are a class of people who need protection, and I think something should be done because there is no doubt that these people are being victimized. It is the type of people who want very small loans who are the worst victimized.

Even under the new government legislation, Bill 51, which I welcome, the interest rate on such small loans is untouched. It is still legal to charge a rate of 2 per cent per month. On loans between \$300 and \$500 the situation is not much better. It is true that the rate is perhaps something like 2 per cent per annum less but actually there is not much difference in the case of loans under \$500. The situation is still pretty bad. These companies claim they have to have that amount of interest on account of their losses, and so on. That has been said before but I do not think they can justify their position on that basis because their actual losses are very small.

I ask this simple question. Why do these companies not disclose the actual interest rate in their advertisements? Is it because they fear that if the actual rate in percent per annum were disclosed the public would shy away from them and that would be detrimental to their profits? I ask a further question. Is it honest to conceal the rate? The purpose of the bill is to have the cost of the loan to the customer stated in the advertisements in terms of percent per annum.