

Loan Companies Act

Some changes have been made. I think, however, it behooves everyone to consider whether those changes are sufficient to warrant supporting an increase in the number of loan companies such as will occur with the passage of this legislation. If a company wishes to be incorporated, all it will have to do is appear before the Companies Branch with an application for letters patent. Whether it is true or not, most Canadian workers believe that owning a loan company is almost synonymous with having the right to print money. They believe that loan companies charge such unreasonably high rates of interest that this is a very lucrative business.

Many Canadians borrow money as freely as they buy commodities, without knowing what the cost will be. It is very nice to hear finance companies say—

Mr. Lambert (Edmonton West): This is not a finance company. This is the Huron and Erie and Canada Permanent Mortgage Corporation.

Mr. Peters: Well, they lend money. The point I am making is that one company says, "Never borrow money needlessly; borrow when you must". This is a very good suggestion but it is one that not many Canadians take. The companies which operate under the Loan Companies Act, as has been stated, are involved mainly in mortgage financing. This is a field in which most people today are involved, either through buying a mortgage or trying to arrange one. We should take a look at some of the banking institutions of this country and their interest rates. While the finance companies have a normal rate of about 28 per cent plus, some of the automobile companies have rates which are considerably higher because of other charges.

Mortgage companies have a set interest rate over a long period. Take the example of a young couple who borrow mortgage money for a house. The price of the home may be \$25,000 or \$30,000. They probably would be paying an interest rate of anywhere between 9 per cent and 14 per cent. I think it would be safe to say that 11 or 12 years would go by before they would begin to pay a cent off the principal.

If we can project this situation over a 25 or 30-year period, that is fine. But what will happen to the person who was in this field three years ago, projected the payments he would have to make, borrowed a large amount of mortgage money at from 9 per

[Mr. Peters.]

cent to 12 per cent over a period of 25 or 30 years, then found himself out of a job, and instead of the cost of our gross national product rising at the predicted rate, it decreased? While the cost of living may have gone up, his ability to pay may have decreased very rapidly.

In many sectors where the economy was stable, it is no longer stable. One of these is the automobile industry. I wonder whether it would be to everybody's advantage to have a provision written into the loan companies legislation whereby a change could be made in the situation wherein an individual may have left the category he was in originally, or remained in that category and found himself in a position where it was impossible for him to meet his obligations.

This has happened before. I remember a situation which occurred when I was a small boy. I was not directly involved, but I remember my father buying a farm for about a third of the amount of the mortgage on that farm. The people who had the farm were good farmers. They also had a large bush operation and were doing very well. They borrowed a reasonable amount of money, considering the assets they owned. Because of the depression they did not have a chance in Hades of paying even the interest on the mortgage.

It seems to me that such protection has never been provided in this legislation. This is a real problem in western Canada. I understand that in some provinces of western Canada there is legislation which provides some safeguard; but nothing has been done at the federal level. I understand that in most areas of western Canada there is provincial legislation in respect of safeguarding a home, a farm, a quarter section or whatever it might be. I am not too familiar with how they apply this to federal mortgages, and I presume they do not. If they do not, obviously the responsibility is ours.

● (8:20 p.m.)

I see no reason why this legislation should not be reconsidered. Therefore I move, seconded by the hon. member for Winnipeg North Centre (Mr. Knowles):

That the word "now" be left out and that the words "this day six months hence" be added at the end of the question.

Mr. Steven Otto (York East): Mr. Speaker, despite the amendment may I say a few words on the way in which this bill could become a very effective vehicle for raising