

Insolvency Act

that we do not want undone. We may drive companies out of business by eliminating their ability to borrow.

The second point is the protection of smaller companies. Protection of wages is number one. We have to protect smaller companies so they can stay alive and expand. There is a lot of detail in the Bill. I have not found this provision, but it may state that smaller companies in Canada will receive help to stay alive. We put too much emphasis on those who lend money rather than those who borrow.

When a bank, credit union, *caisse populaire*, the Farm Credit Corporation, provincial agriculture development boards or other institution lends money, it requires certain collateral. There must be some equity. I know of a case where the Royal Bank is foreclosing on a loan made just over a year ago. They say the farmer has no equity, that he has used up all his collateral. He had these other loans before the Royal Bank made its loan. If the bank was going to make the loan on the collateral produced at that time, it should not impose receivership before the farmer has had a chance to produce and repay the loan. This situation has to be looked at very carefully.

This is not a fictitious case, this is actually happening. The families involved are frightened. They do not know whether they will lose everything they have worked for. They had a loan from the provincial Agriculture Development Board and a loan from the FCC. When they needed additional capital, they went to the bank. The bank knew all of this.

This business I refer to is partly a greenhouse operation. It takes three years to confirm your customers and the market and start bringing in money rather than only paying out. A lot of capital must be expended to build the necessary sun houses and purchase equipment. The bank is foreclosing. There is no recourse, no way the farmer can protect himself. The bank says he must pay up by a certain date, such as the end of the month, or it will start proceedings. When one lender starts to do that, the others become very concerned.

We must provide protection in this Bill for the small operator. When they take a loan, they must have a chance to make use of that money long enough to produce and pay back. The very operation for which they borrowed the money will bear fruit and they can then start producing and make a profit.

● (1730)

Another important principle is that there must be a provision in the Bill which gives some consideration to the borrower in regard to the amount of the loan, the amount he has paid back and the amount he still owes. I am aware of a case in which an insurance company in Canada foreclosed on a farmer who had taken out a loan when wheat was at a high price. When the price of wheat dropped, he had difficulty making payments on the loan. However, he kept up the payments to the best of his ability, but the insurance company took over his farm. He had paid the principal of the loan two and one half times but he still owed as much as he had borrowed in the first place.

That type of situation should not be permitted in this country. There must be some consideration given to those who

borrow money. If there is no protection provided to them, there is something radically wrong with the system.

The case which I referred to happened during the Depression years. It happened in a district where I was teaching school. I felt very sorry for that man as he had paid back two and one half times what he had borrowed. Then the price of wheat dropped to practically nothing—approximately 19 cents a bushel. Wheat was \$2 a bushel when that man borrowed the money. However, the insurance company told him to clear off the land and gave him a number of days to get off the land. What did he do? He pulled a granary on skids to some adjoining land which belonged to a land owner who felt sorry for him. The land owner felt he was a good farmer and that it was not his fault. He asked the farmer to farm his land. So the farmer pulled the granary over in order that he, his wife and his kids could have a place to live. What happened then? He not only lost the farm that he had spent a lifetime building up, but the insurance company threatened him with court action if the granary was not returned. Many of us, including myself, went to the insurance company and told them that this was inhuman. As a consequence, the insurance company did not lay charges regarding the granary, but they took his farm. The farm went into other hands. How much the insurance company was paid, I do not know, but they were certainly paid plenty. The insurance company did not lose one cent; they made a lot of money on the deal. The original capital was paid more than twice, yet the farmer still lost his farm.

That is no way for a civilized country to treat its primary producers. I hope that members of the committee will ensure that there is some protection for farmers. They are not trying to get out of paying their debt, but they have no control over the conditions.

Later on, the late Right Hon. R. B. Bennett and the late William Aberhart in Alberta brought in debt legislation which established a debt legislation board. If that had happened two years earlier, that man would not have lost his farm because the Alberta Government declared a moratorium on debts. Between the federal legislation introduced by the late Right Hon. R. B. Bennett and the twin legislation introduced by the late William Aberhart in Alberta, a board was set up which had the power to say to the lenders; "You have already collected heavily on this deal; we are going to cut down the amount this man still owes".

Unless we have authority such as that, our producers will not get a fair deal. The lenders will want their pound of flesh and every ounce of blood that goes with it. I have seen it happen several times before legislation was introduced giving a government-appointed board the authority to say to the lenders; "You have been paid once or twice. You have got double your capital back. Now you have to cut it down to something sensible and reasonable that the man can pay". Under the other system borrowers could not pay off the debt in a lifetime.

We must protect wages. We must ensure that workers receive their wages. We must ensure that we do not drive our businesses out of business by telling them that they do not have the authority to borrow. They have to borrow. We need