

Senator PROWSE: It must be in the interests of somebody to keep the money dried up. If nobody had this interest, the banks could step in—

The CHAIRMAN: What is an excessive rate? Surely the market dictates the rate.

Senator PROWSE: I would say that even the lowest rate available today is an excessive rate for those who have to pay it.

The CHAIRMAN: Any other questions?

Senator BENEDICKSON: On the matter of interlocking directorships, and on this question of interest rates, is there a chance that if we did not reduce the possibility of directors of banks being directors of trust companies, that if we have through statute a maximum rate of interest for banks, the banks might through affiliation with trust and other companies, and through joint directorships, say "Well, our director of the bank would not permit us to make a loan or a mortgage under the new law at a maximum." You might be directed to "X" company that is not subject to this law and could charge a much greater interest rate on a mortgage.

The CHAIRMAN: You are making an assumption, senator, that interest rates are fixed by somebody or some group of people. There are too many forces at play in the market to say an interest rate is fixed.

Senator BENEDICKSON: No, Mr. Chairman. I am saying that Parliament dictates to the banks a fixed rate.

The CHAIRMAN: Not on mortgage loans.

Senator BENEDICKSON: Not on mortgage loans?

The CHAIRMAN: No.

Senator BENEDICKSON: Under the new act?

Mr. PATON: There is a quantitative limitation on residential loans.

The CHAIRMAN: No, there is no ceiling on mortgage loans.

Senator BENEDICKSON: The banks have not been allowed to arrange mortgages.

Senator McCUTCHEON: Yes they have, but the rate got higher than the permissive rate under the act, so they had to leave the field.

Mr. PATON: While there are common directors, in that several directors of a bank may be directors of one or other of the trust companies, this by no means says this will constitute even a quorum for a bank board. So they could, in effect, make any decisions along the lines you were suggesting of any possibility of their being able to implement their own interest rates if they wanted to.

Senator PROWSE: You may be overlooking the possibility a man may be particularly persuasive.

Mr. PATON: No matter how persuasive he is.

Senator McCUTCHEON: I think the bank directors are getting too much credit for the way they are directing the operations of the banks.

Mr. PATON: I hesitated to suggest that, but—

The CHAIRMAN: It is like deputy ministers. It is a good job we have so many excellent deputy ministers.

Senator McCUTCHEON: Right.

Senator RATTENBURY: This prevents interlocking directors, even though the bank has no interest in the trust company concerned?

Mr. PATON: Yes.

Senator LEONARD: No doubt the witness has seen the amendments made in the House of Commons since the bill came out of committee. Do you have any comments to make on the amendments made since you had an opportunity of appearing before the committee in the other place?

Mr. PATON: The amendments you are referring to are clause 75 (2) (g) or—