compete, to keep their existing customers and to attract new customers.

• (1220)

To balance this expenditure, the banks started to unbundle their fee structure and to move more and more in the direction of user-pay. The Finance Committee came to the conclusion that the banks and other financial institutions had moved too fast, too vigorously, in the direction of user-pay, and that there should be a correction.

Insensitive things had been done. The public relations of financial institutions have not been good. Instead of responding to consumer complaints, they have tended to be defensive.

A particular area that the Finance Committee was interested in was the question of notification. There is a section of the Bank Act which requires notification to consumers of any changes in fee structure. A regulation was passed several years ago which provided that simply posting a notice in the bank or financial institution would meet the requirements of this particular section, namely, Section 201 of the Bank Act. It may have at the time, but in this day and age, when most people use machines and go into banks less and less often, the notice is simply not seen. Then consumers find it rather a shock when they are suddenly paying for some service for which they had not previously paid.

One of the things that irked consumers enormously, of course, was when they found that money was being deducted for inactive accounts. It is very difficult for any reasonable person to justify this. How can financial institutions charge a fee for an account in which there has been no activity?

These were some of the things that consumers were writing about and that the financial institutions were not responding to. When the Finance Committee set the terms of reference for our public hearings, we did focus very much on the whole question of notification, whether financial institutions are entitled to dip into people's accounts without warning and without specific authorization.

As a result of the hearings, some very specific recommendations were made by the committee to strengthen the legal notification requirements of Section 201 of the Bank Act which is clearly inadequate in present-day circumstances, and to prohibit certain charges. The committee also recommended that financial institutions provide limited basic banking services free of charge. We recommended that they provide what one of our members described as accounts "without bells and whistles".

The response of the financial institutions to this has been very negative. First, they say they are already doing this, that as a gesture of good will to their consumers, they already have about four million accounts for senior citizens which have no fees or very limited fees. Most banks also provide accounts for young people under 18 which have limited or no fees. The position of the financial institutions is that as a gesture of customer good will, they already provide accounts with no fees and few frills, and that they should not be legislated into doing so any more than any other commercial organization should be required to provide free services.

The Finance Committee takes a different approach. We have seen that in the United States there is a requirement in many states for financial institutions to provide what they call life-line accounts, very basic, minimum accounts. This is the direction in which the Finance Committee has leaned.

I want to mention a few of the highlights of the committee's report. In spite of the banks' protestations that they now provide services that have minimum fees, the committee was not able to accept that as satisfactory or to accept that they would do it as a good-will gesture, because we had so many letters from people who did not know about these accounts. We heard from students who had put money into the bank at the end of their summer jobs and then went back at Christmastime to draw the money out for Christmas shopping and found that, because the accounts were below a certain minimum amount, they had been docked quite a bit of money. In many of these cases, when the students or their parents complained to the banks, the charges were reversed. At that point, the families learned that these particular institutions offered services for students whereby charges were not applied. However, the public information provided has not been satisfactory, and we heard from many consumer groups and from many consumers who had gone to their financial institutions to ask for information about charges and had not been able to get it or to get it easily.

On the question of the increase in service charges over recent years, the banks put forward the view that the increase was related to increased volume and to inflation. The committee was not able to accept that entirely, because it appears that charges related to personal banking services by domestic banks have increased 18 per cent to 19 per cent over the past five years. The banks said that the volume of transactions increased by 7 per cent a year, so that means that there is 10 per cent or 11 per cent unaccounted for.

The committee came to the conclusion that the alarm on the part of consumers was more than a temporary protest and that there was a serious problem with a lack of information. In fairness to financial institutions, one must point out that although their service charges have increased, the greater part of their operating costs is still covered through the interest spreads. Nevertheless, service charge income has been increasing rapidly, and this is something that is a concern, particularly to low-income consumers.

Charges for personal financial services have been increased both in level and in number. The key, of course, is that the banks and the other financial institutions, as I said earlier, are offering higher interest rates because of the increased competition and therefore they are trying to balance some of this by increasing service charges. Unfortunately, the service charges