

Interest Act

excessive. I believe it is in the interests of the ordinary Canadian that this parliament should place a ceiling or a limit on the interest rates that may be charged.

Small loans companies, finance companies, many large retail firms providing instalment credit, departmental stores, loan sharks, and companies making loans for the purpose of second mortgages on real estate are in many instances charging interest rates of 15 per cent, 20 per cent or even more.

Before the banking and commerce committee in 1956 the superintendent of insurance told us that one small loans company had been charging interest rates in excess of 70 per cent per year.

I believe this problem of high interest rates is important because the amount of credit for which these excessive rates are being charged is very large and is growing steadily. I do not think hon. members should approve transactions under which the ordinary people of this country are being forced to pay loan sharks, to pay so-called respectable business firms, companies and individuals making loans these excessive rates.

Before the banking and commerce committee the year before last important amendments to the Small Loans Act were considered. They did increase the area of control over the business done by the small loans companies on loans up to \$1,500 and provided a measure of control over the interest rates, though rates even within this area are still very high. On loans up to \$300 the interest rate allowed by law is 2 per cent per month, which on the basis of simple interest works out to over 26 per cent per year.

Some of us in this group were responsible, I believe, initially, for presenting this problem to the House of Commons. I believe the attention that was drawn to it in parliament resulted in the former administration taking action on its own and sending a bill to the banking and commerce committee. It is my further contention that the C.C.F. group in the banking and commerce committee were responsible for the bill being reported back to parliament in such a form as to be of real service to the Canadian people, because had a minority of the Liberal members on the committee at that time, and Conservative members on the committee had their way at an earlier stage of the discussion the bill would have been killed. But the bill was reported back to the committee and on the basis of the evidence given. I think it is fair to say that those changes in the interest rates are resulting in an annual saving to the Canadian people of some \$10 million a year.

The amount of consumer credit has been increasing very rapidly. I have in my hand

[Mr. Argue.]

the Bank of Canada statistical summary for November 1957 which shows consumer credit made available by finance companies and retail credit dealers to the extent of \$1,903,000,000 for the latest period reported, namely for June 1957. This shows, in the case of the instalment finance companies, an increase since September 1952, when such credits stood at \$1,334,000, to September 1957, when such credits stood at \$821 million, an increase in that five-year period of 144 per cent in credit provided by instalment finance companies. For the same period small loans companies increased their cash loans from \$139 millions to \$343 millions, an increase of 170 per cent.

Department stores increased conditional sales agreements from an amount of \$54 million in 1952 to \$153 million in 1957, or an increase of 183 per cent. Those are the main items of increase in that general category, and they show a tremendous increase in the credit granted in this field. It is, therefore, a very important problem and one with which parliament should deal.

Mr. Bell (Carleton): Would the hon. gentleman permit a question? The hon. gentleman used the very interesting figure of \$10 million in suggesting that there has been a saving of this magnitude to the Canadian people as a result of these amendments to the Small Loans Act. I did not follow him as to how he made that calculation.

Mr. Argue: I have not the source of the calculation here today, but that calculation came from the evidence placed before the banking and commerce committee in 1956 which showed the projected effect of the interest changes which were proposed and finally made law on the business being done.

Mr. Bell (Carleton): And that can be found in the evidence of the banking and commerce committee?

Mr. Argue: I am not saying it can be found in the printed evidence, it can be found, in the evidence presented to the committee in the form of documents by the superintendent of insurance and others.

If one looks at the \$1,900 million of credit in this field I think it would be fair to estimate that if such a bill as is now being proposed were made law the saving to the Canadian people would be multiplied many times. I think we could assume that on the basis of a saving in this field of only 10 per cent a year of the credit that is made available there would result a saving of \$190 million. When one looks at the rates of interest charged by mail order houses and departmental stores, to say nothing of