

14. These contracts are completed in the presence of the customer, who is provided with a copy. When the completed contract is delivered to the finance company concerned, it is checked to ensure that all essential information has been included. In our opinion, the information contained in a completed contract provides the credit buyer with a clear, straightforward understanding of the obligations he has assumed in return for the benefits of immediate use and possession.

15. It is our view that the single, most important public policy issue surrounding the field of consumer credit, is the manner in which the finance charge is disclosed to the consumer. The tenor of many recent legislative proposals would suggest that the sales finance industry attempts to keep the consumer in ignorance of the cost of credit. Nothing could be further from the truth. We would like to emphasize that this Council and the industry it represents believe in the full disclosure of the cost of sales finance credit to the purchaser, and moreover, that we have followed such full disclosure practices for many years. The instalment contract forms used in our industry indicate clearly to our customers the difference between the cash and time sale price of their purchases, thus giving them an exact statement, in dollars and cents, of the cost of financing the instalment purchase. The provision of such information is universal practice throughout the industry and, as noted earlier, our contract forms have been designed to give full effect to this intention. Our experience has convinced us, that the most meaningful disclosure of finance charges, from the consumer's standpoint, is one which expresses these charges in "dollars and cents". The consumer is paid in dollars and cents, his budget is expressed in dollars and cents and he approaches any new expenditure, involving regular instalment payments, with an eye to the dollar and cents effect on his overall financial position. In the same way, he can and does compare the difference between a cash or credit purchase on the basis of full disclosure of the finance charge expressed in dollars and cents. After careful consideration, we have concluded that any consumer, provided with this fundamental information, can make an intelligent and reasonable choice, not only between a purchase on a cash or credit basis, but also among the various competing sources of credit which are available to him.

16. Having stated our support for disclosure in dollars and cents, the following comments on the issue of "interest rate" disclosure are submitted for your consideration: We believe that legislation making "interest rate disclosure" mandatory would tend to drive the cost of credit underground. Rather than engage in costly, time-consuming calculations, with the prospect of penalties should they prove to be inaccurate, many retailers would simply adopt a "one-price" policy. Examples can easily be cited in which the finance charge in dollars is obviously reasonable in relation to the transaction, but where a simple annual interest rate equivalent appears to be exorbitant. This, too, would lead to the burying of financing costs in the price of the article, and there are many items such as used cars, exclusive trade name merchandise in large stores and upholstered furniture, which do not lend themselves to direct price comparison.

17. Those who advocate interest rate disclosure argue that knowledge of the rate being charged will assist and enable the consumer to make a wise choice between or among alternative credit purchases. As the following example will show, emphasis on the rate being charged can mislead the consumer and result in an incorrect choice.

18. The problem lies in the fact that a seller of a combination of goods or services and credit may combine the charges in any manner he chooses. Assume two stores are offering refrigerators and credit services that are identical in