

Senator McCUTCHEON: What I am suggesting quite seriously is that there would be more competition, and the public would be better off, if the  $7\frac{1}{4}$  per cent ceiling is abolished at the end of four months rather than at the end of 10 months. I think that four months would be adequate for the banks to make their plans. People got very used to automatically paying the ceiling rate over the last few years. I would rather see, now that we know or suspect that the trigger is going to be pulled on March 31, the transition period shortened. I accept the fact that there should be a transition period, but I should like to see it shorter than the one now in the bill.

Hon. Mr. SHARP: If these interest rates continue to decline, as they have been declining, I would like to see some action on the part of the banks that indicated that the ceiling is not going to be the norm. I would not only express that hope, but I have some confidence that in fact the banks by their lending policies are not going to fall into the error of assuming that the ceiling is the prevailing rate, because on prime loans I am sure the rate could be a great deal lower than that.

Senator BENEDICKSON: How can they do that without an amendment in this bill?

Hon. Mr. SHARP: The ceiling is only a ceiling, and not the rate. There have been many times in the past while the ceilings was 6 per cent that the banks were lending at  $4\frac{1}{2}$  per cent or 5 per cent. When the ceiling is  $7\frac{3}{4}$  per cent I hope that many lending rates will be a great deal lower.

Senator McCUTCHEON: I will stop by saying that I hope the Minister will learn in four months what he thinks he will learn in ten months.

Senator BENEDICKSON: Mr. Chairman, for many years there has been an avoidance of the provisions of the Bank Act, and I am wondering whether that matter is corrected by this bill. I refer to the fact that a number of years ago one bank made a personal loan, with some doubt as to its legality, at an annual rate of interest that exceeded the ceiling of 6 per cent set by the act. A great number of banks, before this legislation, have been making a particular kind of personal loan. If my recollection is correct their charges on an interest per annum basis—as has been indicated by Senator Croll in his notable crusade—worked out to between 11 and 12 per cent. I give the banks credit. Even in those cases their rates were much less than the rates a tremendous number of borrowers had to pay when borrowing from other institutions.

Does this bill by its provisions correct this lack of clarity in the present law with respect to the ceiling on the interest that a borrower, who pays back a loan on a month by month basis, pays, and which is, in effect, more than the 6 per cent ceiling spelled out in the present legislation?

Hon. Mr. SHARP: I listened to the discussion, but I did not catch the question put by Senator Benidickson.

Senator BENEDICKSON: I am sorry. I am sure you are aware that under the old age legislation when we broadly understood that banks were limited to an interest rate of 6 per cent, some years ago one man dared to initiate a personal loan system?

Senator McCUTCHEON: A very progressive man.

Senator BENEDICKSON: Yes; and the borrower got a better deal than elsewhere, but under which in effect the bank was getting between a 11 per cent or 12 per cent interest rate. I believe other banks followed that. I said there has been a great element of uncertainty in the law. It was never challenged in the courts. Does this legislation clear up that point?

Hon. Mr. SHARP: Hereafter, if as Senator McCutcheon has prophesied there is no ceiling, then of course there would be nothing to worry about at all. All kinds of loans and all kinds of rates would be perfectly legal.

I would point to clause 92 in which for the first time the banks will be required to reveal the true cost of borrowing, and this is an important matter. As the committee may know, all the provinces are moving towards adequate disclosure laws, and I undertook as the federal minister responsible for banking to introduce legislation to require banks to follow the same practices.