

I think it is, and I would like to have your opinion on this, that we should not have people who are in competing businesses running both of these businesses.

Senator LEONARD: May I ask Senator Prowse a question. Should he not include in his comments, perhaps, insurance companies who are the largest lenders of mortgage money in the country, or does he see some difference in the competition they provide?

Senator PROWSE: I would say this: Probably we have overlooked something in here, and if there is an amendment to this perhaps it should be to include the life insurance companies.

Senator CROLL: Mr. Paton, are you aware of the fact that the matter of interlocking directorates is the most suspect of arrangements among the people generally?

Senator McCUTCHEON: Only certain kinds of people.

Mr. PATON: I much prefer to refer to these as common directorships rather than interlocking directorships. There is no interlocking with regard to operations. They are as separate and competitive as are our relationships with any other chartered bank. They are not interlocking in the area where they serve a common purpose. They are separate entirely. They have their board meetings on a different date and at a different place, and there is no association between the two.

Senator PROWSE: I would like an answer to my question. Perhaps I did not phrase it in the form of a question, and in that case I will rephrase it. Don't you think that there could arise a conflict of interest in the case of a person who was a director of a trust company concerned largely with providing mortgage money for housing and who was also the director of a bank which intended to engage in the same type of business, in the matter of interest, and the type of security they might want and the type of repayment they might expect?

Mr. PATON: I don't think so, Senator Prowse. My reason for saying that is this: We of the chartered banks will always in the foreseeable future regard this as a relatively modest percentage of our business. We are essentially commercial banks and will stay that way. We will have funds for mortgage business; we were in the business for five or six years, and took a very substantial part in the NHA lending from 1955 through 1959. I think it may have involved something in the neighbourhood of 8 or 9 per cent of our assets. There was no conflict at that time. There was no conflict of interest. I cannot see any developing now because as we expand our banking system our primary purpose and primary activities are in the commercial area.

Senator PROWSE: This brings me to my second point. The trust company business is going to remain largely in the mortgage business because this is where they are required to remain by law. It would seem to me to be in the interests of the trust companies not to have the banks making large sums of money available for housing, because this might encourage somebody to get the interest rates down, perhaps to where we could get a combined interest rate of 12 per cent on a combined mortgage.

The CHAIRMAN: Then you might have a case of the tail wagging the dog, because you might have the trust companies trying to influence the banks not to lend money.

Senator PROWSE: That is why I think they should be serving one master, and not two.

Senator FLYNN: You could have legislation on interlocking in a general way, but not limited only to the case of banks and trust companies.

The CHAIRMAN: In the field of mortgage loans there are many activities. Nobody can control the bank rate. It is going to be what the market says is the rate.

Senator PROWSE: But even now we reach a stage every year where towards the end of the year the mortgage companies have lent out all the money they have available for that year, and we are told that the mortgage money suddenly dries up, and when you go to get some you have to pay excessive rates—

Senator McCUTCHEON: Not excessive.