be requiring financial institutions to declare their interest rates as effective annual rates. The use of nominal rates is widely used and is very misleading.

It does not make too great a difference at lower interest rates. I did not find any banks that charged these rates but there are some retailers' cards that charge, they say, 2.4 per cent per month. Then in brackets they say 28.8 per cent per annum. Of course that is simply not true. The interest calculations are always done monthly. Hence this is compounded monthly and the effective rate of 28.8 per cent per annum compounded monthly in fact turns out to be 32.9 per cent per annum.

If they were required to actually express the rate as the effective rate, then they could not play these games with the consumers where there is a lack of understanding when it comes to effective versus nominal rates.

The third area that I would like to address is a bit of a bombshell because I have never heard anybody talk about it. Several financial institutions that I am aware of which I have checked personally actually land up computing their interest on a time error as well as a rate error. Most of us know that interest equals principal times rate times time as a simple formula. I have talked about the rate and the way they fudge that and now they fudge on the time.

They do something that is very intriguing. Whenever there is a transaction, whether it is the computation of the interest to date based on the statement date or whether there was a payment made, they compute the interest up to and including that day.

• (1840)

If I borrowed from my credit card a thousand dollars in the morning and paid it in the afternoon I think there would be a case that said I should pay for one day's interest.

However, if I borrow a thousand dollars at noon today and repay it tomorrow at noon I do not believe they are justified in charging me two days of interest and yet they do if you check this out. I think if this goes to the committee I would really like to see the committee address that question because that is a very costly one to Canadian consumers and as far as I know it is not widely known.

I did an actual experiment on this and found that if I made a payment and my interest was calculated from the previous statement to the payment date including that date and then at the next statement it was made again including that date, in essence my financial agency got from me 24 extra days of interest in the year. I did not carry on the experiment that long. I did it long enough to ascertain that in fact that is what they were doing.

Using 18 per cent per annum and with the $11 billion I used as the amount that these institutions have outstanding, this yields to them an additional $141 million per year which I think is a substantial amount of money to be taking from the consumers.

I have other things to say but my time has expired and so I really congratulate the member on this bill. I look forward to seeing it go into committee for real study, including these issues I have raised.

Mr. Wayne Easter (Malpeque): Madam Speaker, I want to congratulate my hon. colleague for Simcoe North for bringing forward this bill which has now become a motion and giving me the opportunity to second it. It has been needed for much too long.

In response to the previous speaker it is quite obvious to me that allowing the market out there to set interest rates just has not worked. The financial institutions have been shown for years to have been gouging the public in terms of interest rates on credit cards.

I believe it is the responsibility of the government to ensure that the Canadian consumer is protected against unfair and at times out of control profiteering by large financial institutions. I know from business experience how heavy those interest costs can be and how great a burden they can be and how quickly they can get out of control and cause extreme financial difficulty.

Of course there will be criticism from the affected financial institutions but the government should not be interfering with setting interest rates for the banks. That is to be expected. In fact, that makes for healthy debate.

The facts and terms of this debate are on this side of the argument that interest rates should be restricted.

We as members of Parliament do have a right and a responsibility to ensure that the people of Canada are protected from unfair banking practices, and excessive credit card interest rates are in fact unfair.

This bill, or this motion now, should not be seen as an attack on the banks. I think it is an attempt to have fair play on the part of the relationship between the banks and the consumer. We know it is the government's responsibility to make sure there is stability in the financial market for the banking and lending institutions to flourish.

We do this under the Canadian bank act and through the use of the Bank of Canada. The same financial institutions charging Canadians an exorbitant amount of interest as well as calculating interest charges in very creative ways have the ability to borrow money from the federal government's Bank of Canada's discount rate at very low rates for the banks when they are borrowing.

Yet these same institutions do not pass on that advantage to the Canadian consumer. They instead use the difference between their borrowing rate and the rate they charged credit card users for huge profits.

Those who carry this burden of excessive bank profits in the end are the Canadian consumers. They pay the bills. It is they that we as a government hope through consumer spending will spur economic growth. That, my colleagues, is what the hon. member for Simcoe North is putting forward today. It is a bill to