

Private Bills

I commend this proposal to the House and hope that the House will be disposed to permit the bill to come quickly to the Standing Committee so that a full exposition of all aspects of this new bank can be given to the committee and hence to this House.

Mr. Arnold Peters (Timiskaming): Mr. Speaker, from time to time we have had banks, investment companies and agencies coming to us with a proposal to establish a new bank. In recent years most of these banks have failed, though one has been partially successful. This raises a very important problem which must be faced by Members of Parliament.

Unlike the United States where someone with a lot of money sets up a bank and is in the lending business, in Canada banks have been restricted by legislation as to the areas in which they can lend, the circumstances of lending, and have been restricted by law as to the proportion of reserves they must hold. There is also a responsibility on behalf of the Canadian public to see that no depositor may be in fear of losing his money. The history of Canadian banking is as good as that of any country in the world and we should take credit for that type of legislation, for the sense of responsibility of our legislators and the operation of the banking institutions, as well as the fact that in many, many years we have not seen any difficulty with the banking institutions in Canada. This record has not been duplicated in many countries. Our banking institutions are spread across many lands on several continents. They have joined with other banking institutions in Switzerland, the United States and Great Britain and have provided a service that is generally accepted to be of a very high level.

If this is so, and I think most people would agree that it is, then we have a responsibility to see that the situation does not change. Just the other day when someone remarked that money only comes from taxes and the government does not have any, the leader of the Social Credit party asked, "Why not?" I am sure most Canadians have asked themselves this question. When we need more building, more capital for agriculture, more capital in the area of resources and development why can the money not come from the banks? Why do we have to set up an Industrial Development Bank which says that before it will give approval to a proposition put forth by an entrepreneur, he has to have been rejected by two chartered banks? Obviously, we have not said that a proposition has to be turned down by six banks because if it is turned down by one it will probably be turned down by any number.

The question asked by the leader of the Social Credit party was about the role Canadian banks play in the development of our economy. He also asked, what role can they play in the expansion of industry and employment or are they only institutions to lend money, to make deposits and make investments on behalf of depositors? That is an important question and one to which I would like an answer. I really am not sure whether the banks have a right and, in fact, a responsibility to act in a larger sphere than that in which they now operate.

I know that in cases there may be a particular individual operating a particular bank which gets a reputation of being a collector. Sometimes, if a bank gets into serious

difficulties in a community another bank manager is appointed. The new manager may be nice; that is, he may lend money more readily than the fellow he replaced. Then, when the bank has trouble collecting the money lent, another manager is installed and he might be known as a collecting manager. Under him the bank will start collecting and foreclosing mortgages.

• (5:10 p.m.)

In the main, however, there is absolutely no competition in the banking industry, as we know that industry. People who want to deposit their money will get the same rate of return at one bank as at another. Recently, however, there have been changes. The banks have been going into the small loans business because they are not under the same restrictions when lending small amounts that would otherwise apply. For instance, the rate on small loans does not have to be about half a percentage point within the rate set by the Bank of Canada. There is nothing like that in this field. The banks borrow this money at a certain rate, and lend it. They make a reasonable mark-up. Also, the banks have gone into other fields. I heard that the Bank of Commerce was talking about setting up a mortgage company. Apparently the bank will lend that company money for housing and investing, the idea being that such a company can lend money at rates higher than the bank would normally be able to charge. It seems that such subsidiary operations can be more valuable to the bank than its main banking operation.

According to my reading of the proceedings before the Senate Committee on Banking, Trade and Commerce, the people backing this bank want to go into the banking business to make lots of money. I know that they talk about social and economic conditions. Nevertheless, it is interesting to note this comment appearing in Issue No. 37 of Wednesday, October 6. On being asked why he thought the investment houses thought this bank would be worthwhile, Mr. Dennis Dwyer, President of Chartec Limited said in part:

The comments made by those who were positive may be summarized as follows: One, investor interest in Canadian chartered bank shares in general is high, in view of the high return on capital investment. Investor interest in the United Bank, solely on the grounds of the provisional board's responsible and deliberate actions to date, has given the impression that the investor believes that the basic policies of the bank will ensure a profitable operation.

I am not interested in banking institutions being profitable investments. In this connection may I say I was shocked when I heard that a former member of this House advised a friend of his to buy Bank of Montreal stock because, as he said, that stock would soon be split and profits would be made. You know, for 20 years the banks did not split their stocks. The banks were considered blue chip investments. If you wanted an investment as safe as the rock of Gibraltar, you bought bank stocks. Although you might not get rich, you at least were not buying speculative stock. I asked a number of people, because I thought that was pretty silly advice, what they thought of it. They agreed it was pretty silly advice. Well, it did not turn out that way. After this person had bought several thousand shares of Bank of Montreal stock, that stock was split and he made a considerable profit. What interested me was the fact that this particular bank stock