

pointed out that the tendency towards merging financial institutions in this country has resulted in an increased rate of interest to the small borrower. The Minister of Finance has said that at the present time when small loans are put through the bank there is a minimum rate of 75 cents or \$1 which is, as a matter of fact, sometimes 15 per cent of the loan, according to the amount. A minimum rate of 75 cents or \$1 is of course a very small rate for the borrower to pay. If a man goes into a bank and borrows \$25, and the bank charges him \$1 for putting the loan through, there is not much to quarrel about, but if the borrower desires to obtain \$100 or \$500, the bank manager, under the provisions of this section, if it is allowed to remain in the Act, and if the necessities of the borrower are sufficiently great, may exact a rate of 15 per cent, which would be a very considerable tax upon the borrower. I think that if no better protection or safeguard can be made for the small borrower in his transactions with the bank under the section which has been substituted for the clause in the present Act, I think the present Act ought to prevail. At all events the provisions of the old law do not legalize the exaction of extortion, as this section would do. The hon. Minister of Finance stated that the banks were heretofore improperly imposing illegal rates of interest upon the borrower; yet under this section we propose to legalize what it is illegal for the banks to do at the present time.

Mr. WHITE: Allow me to correct my hon. friend; I am afraid I have not made myself sufficiently clear. Section 91 of the present law apparently limits the rate to 7 per cent, but I pointed out that the decision in the McHugh case was that if the rate of interest were stipulated in advance—and that has been done for years—the bank could legally take the rate of interest so stipulated. So that the profits of the banks have been quite legal, although apparently contrary not only to the spirit but to the letter of section 91. I would like to say further that when this Act was originally drafted, Canada was, of course, a different country from what it is to-day. Evidence was given before the committee to show that at the time of the gold rush in the Yukon territory, which is a part of Canada, rates of interest were as high as from 24 per cent to 36 per cent, 2 per cent or 3 per cent a month; and it was also shown that the expenses of carrying on the business of the banks at that time in Dawson city were enormous. The banks said they would never repeat the experiment. It was pointed out that a plate of pork and beans cost, I think, \$5, and it was stated that the cheapest thing in Dawson at that time was money. We, therefore, must have regard to the fact that we have a country the size of

Europe, with different conditions prevailing in its different sections.

My hon. friend from Edmonton (Mr. Oliver) contended for an equalization of rates. I think that would be very desirable if we could accomplish it without denying bank accommodation to sections of the community in which he is particularly interested. I do not believe you will ever be able to put legislation on the statute book that will compel banks which, like others, after all, are pursuing their vocation for the sake of gain, to go into a particular district remote from the central communities, unless they think that the opening of that branch will immediately or prospectively result in gain. The evidence before the committee showed that banks would not go into new sections of the country if confined to a rate of interest of say seven per cent. In fact, evidence was given, and some members of the committee may dilate upon this, to show that it would be very unprofitable for the banks to do that, and that as a matter of fact it would result in depriving many communities of banking accommodation which they very greatly need, and for which they would be willing to pay eight, ten or even twelve per cent. In other words, the law of supply and demand would govern. If we limited the rates of interest absolutely to seven per cent, in other words, if we changed section 91 so as to give legal effect to what was obviously in the mind of its original drafter, instead of benefiting the borrower, we should take a step that would recoil to his disadvantage. There are districts in the Northwest and in the Yukon and other parts of Canada where the banks are under exceptional expense in opening up their branches. That being the case, and in order to remove the anomaly, the committee decided upon the clause which appears in the Act now before the committee, but in view of the request of my hon. friend from North Ontario (Mr. Sharpe), and of other members of the committee, who were, I think, quite properly of the view that the decision of the Privy Council to which I have referred permitted the banks to take in advance the rate stipulated for, and when they sought to recover by a process of law, limited them to the maximum rate of seven per cent before maturity and five per cent after maturity, and in view of the further fact that it is impossible to forecast what legal decision might be given on a new wording, I have said to this committee, as I said to the Banking and Commerce Committee, that I am entirely willing to restore clause 91 as it appears in the present Act. In other words, not to disturb the wording, the banks will be in whatever position they were in under the express wording of section 91, which appears to limit the rate to seven per