

EXPLANATORY NOTES.

The purpose of this Bill is to provide for a reduction of the rate of interest or "cost of loan" allowed by the *Small Loans Act* from two per cent per month to one per cent per month.

1. Subsection (2) of section 3 at present reads as follows:

"(2) The cost of the loan mentioned in subsection (1): shall, for a loan for a period of fifteen months or less, not exceed two per cent per month on the amount actually advanced to the borrower and monthly balances thereof from time to time outstanding, and, for a loan for a period greater than fifteen months, the cost of the loan shall not exceed one per cent per month on the amount actually advanced to the borrower and monthly balances thereof from time to time outstanding and in addition thereto such proportion of one per cent per month on the said amount and balances as fifteen is of the period of the loan expressed in months.

2. Subsection (1) of section 6 at present reads as follows:

"6. (1) Every loan shall be repayable in approximately equal instalments of principal or of principal and cost of the loan at intervals of not more than one month each, and on default in the payment of any instalment, interest shall accrue thereon from the date of default at the rate fixed by the contract as the cost of the loan; but if default in the payment of any instalment continues beyond the date on which the last instalment of the loan falls due, interest shall accrue thereon at a rate not exceeding twelve per cent per annum from such date."

3. Section 14 at present reads as follows:

"14. The Company may

- (a) buy, sell, deal in and lend money on the security of, conditional sale agreements, lien notes, hire purchase agreements, chattel mortgages, trade paper, bills of lading, warehouse receipts, bills of exchange and choses in action; and may receive and accept from the makers, vendors or transferors thereof guarantees or other security for the performance and payment thereof and may enforce such guarantees and realize on such security;
- (b) lend money in sums not exceeding five hundred dollars in amount and may charge, exact or receive or stipulate for the payment by the borrower of a sum of money as the cost of a loan which shall not exceed an amount equivalent to the amounts or rates herein prescribed, namely, in the case of a loan for a period of fifteen months or less, two per cent per month on the amount actually advanced to the borrower and monthly balances thereof from time to time outstanding, and in the case of a loan for a period greater than fifteen months, one per cent per month on the amount actually advanced to the borrower and monthly balances thereof from time to time outstanding and in addition thereto such proportion of one per cent per month on the said amount and balances as fifteen is of the period of the loan expressed in months; every loan shall be repayable in approximately equal instalments of principal or of principal and cost of the loan at intervals of not more than one month each, and on default in the payment of any instalment, interest shall accrue thereon from the date of default at the rate fixed by the contract as the cost of the loan, but if default in the payment of any instalment continues beyond the date on which the last instalment of the loan falls due, interest shall accrue thereon at a rate not exceeding twelve per cent per annum from such date; the cost of the loan or any part thereof or any interest accruing after default shall not be compounded or deducted or received in advance; the borrower may repay the loan or any part thereof before maturity on the date on which any instalment thereof falls due, without notice, bonus or penalty, but the borrower shall, when making such repayment, pay the portion of the cost of the loan accrued and unpaid up to the date of such repayment."