

*Bank Act*

comments made in the Porter report. Here they are:

The 6 per cent interest rate ceiling introduces undesirable rigidity in the financial system and hampers and distorts the working of markets. It also has arbitrary effects on the institutions' competition for business and on their ability to serve the community well which were not contemplated when the ceiling was originally introduced and subsequently amended.

We recommend that it be removed regardless of other changes in the legislation. The ceiling stands in the way of flexible lending by the banks in that it frequently prevents them from making loans on which higher rates must be charged to cover administrative costs and risks. Obviously, this is to the banks disadvantage; more importantly, however, it discriminates against borrowers such as small businesses which, if they are to obtain funds at all, must turn to other lenders which charge rates well above those the banks would ask if free to do so.

• (5:40 p.m.)

Moreover, Mr. Speaker, that suggestion to abolish the 6 per cent ceiling imposed on chartered banks was also made in another report, that is the second annual report of the Economic Council of Canada, whose conclusions and recommendations should be taken into account because those studies were made by experts in those various fields with regard to the development of our country and its economic growth.

I feel that those serious and detailed studies must not be disregarded.

As a matter of fact, the second annual report of the Economic Council of Canada made the same recommendation to enable the individual who needs money to borrow it as cheaply as possible from his bank, something which will not be possible in a number of cases unless the 6 per cent ceiling is abolished.

We know that chartered banks get a lower revenue than that on the short and medium term capital market. That market is slightly over 6½ per cent. That ceiling must be abolished also, as pointed out in the reports I mentioned a little earlier, to allow more competition between the banks and the loan companies.

Everyone knows how the personal loans companies operate and what rate they can charge the consumer.

If the 6 per cent ceiling were abolished, it would enable the banks to get a better rate, since the rate of the Bank of Canada was increased to 5¼ per cent. As a matter of fact, it would enable the chartered banks to put up a better fight and, in the end, it would benefit the consumer, the middle class and middle income Canadian.

One knows that when the worker, the farmer, the white collar worker, the store clerk is in financial difficulties, he is forced most of the time to borrow from finance companies at rates which are excessive and even abusive as far as he is concerned. If our chartered banks could loan money at an interest rate of 6½ to 7 per cent, it would be to the advantage of the consumers.

I feel that, in addition to contemplating a reform, the government should, in its new bill, consider also the possibility of amending the Small Loans Act and the Interest Act, precisely to prevent abuse. The interest rate should be set at a maximum of 12 per cent, in order to allow for a better balanced competition between the banks and the small loans companies and also to allow the small loans companies to lend money up to \$5,000 at a very reasonable rate.

In fact, I put two bills in the order paper for the benefit of the average-income Canadian.

There is no doubt that the removal of the 6 per cent ceiling will contribute to the development of our economy and lessen the effects of the American decision.

For some weeks, we have directed many questions to the Minister of Finance concerning the implications of the American decision on our economy and our financial situation. Again yesterday, the minister told us that the question was under consideration.

Mr. Speaker, many Canadians are concerned about the implications of this American decision which will necessarily take away from Canada some of the capital it needs to develop its economy and its natural resources.

The province of Quebec is especially alarmed at the implications of this American decision.

Consequently, if we allowed our Canadian banks to lend more and use the money we have in Canada, this would help to lessen the prejudicial effects of the American decision to reduce American investments in Canada.

I also ask the minister to take into consideration in his plans of reform, the possibility to enable provincial governments to hold a number of shares in chartered banks.

Mr. Speaker, it is understood that banking operations are under the jurisdiction of Ottawa but the monetary and financial policies are not foreign to the economic policies of the provinces which would like to have their