

Loan Sharking

and say: We have \$50. for you. Here is \$50. But there is a problem. Every week you will have to give me such an amount of money.

Usually, and curiously enough, the interest rate is reasonably low by our standards, maybe 24, 25, 25 per cent, sometimes 18 per cent, anyway, it is a reasonable rate. But things go wrong when you get to the penalties. For example, you have a \$50 loan at 18 per cent which must be repaid, let us say, in five \$10 weekly payments. You have to pay \$10 every week. If one week you "forget" to pay \$10, then you have to pay an extra \$10, and the same the week after and the amount of your loan is not reduced for all that. By that time, you have rocketing interest rates. 100 per cent, 500 per cent, 1,000 per cent, even up to 3,000 per cent.

The result of the whole black market, if I may say so, of small loans is \$800 millions. That is what has been revealed by the Cliche Commission, \$800 millions in circulation and administered by more or less honourable people, illegal organizations of Montreal and the province of Quebec, \$800 millions which are used to finance illegal activities. Well, we have \$800 millions. What are we going to do? We introduce a bill to amend the Criminal Code in order to make shylocking activities indictable. With all due respect, Mr. Speaker, I do not think that this is an appropriate way to meet the requirements of that problem.

Indeed, it is always dangerous to include new penal provisions in the Criminal Code, especially when a figure such as 24 per cent is part of the amendment. A 24 per cent rate of interest may be considered as loan sharking in certain circumstances, but not in other situations. Therefore, the important thing is not to say that a rate of 24 per cent is loan sharking, but to protect the consumer. I think the best way to protect the consumer is not to add penal provisions which, let's face facts, will not prevent loan sharking anyway.

● (1750)

What is important, I believe, is to extend the scope of the Small Loans Act, so that all licences be applied to all loans: credit loans, cash loans, large loans, so that the scope of this Act may be extended to all kinds of loans, whatever they may be and that it might be said: "from now on, you have a licence, you must have a contract written very clearly, without any fine print, and a contract where the real conditions of the loan are fully explained, so that the consumer knows what he is getting involved in."

When a consumer takes a loan of \$50 at 18 per cent interest, with a penalty clause, he does not think of the penalty; he sees only the 18 per cent and says: It is quite easy, there is no problem. But if the penalty clause increases the interest rate to 50, 100 or 1000 per cent, the poor consumer who did not think it over finds himself in trouble. It is important to make all loan contracts subject to a rule instead of including in the Criminal Code a figure like 24 per cent. To me, it is not proper.

I would fancy a penalty clause to be drafted as follows and which would perhaps meet with what the hon. member for Toronto-Lakeshore (Mr. Robinson) has in

[Mr. Lachance.]

mind: Whoever resorts to any kind of threats or assaults or to any other form of coercion to obtain a loan is guilty of a criminal offence. We then go into another aspect of loan sharking, a quite important one indeed.

In fact, if a \$50 loan, for instance, is made and if the man who has been granted it is not paying back every week the money he owes, he brings down upon himself, or still worst upon the people dear to him, threats of a physical, intellectual or other nature.

And I think that this is the most serious aspect of loan sharking because the individual who has been granted the loan is not in a position to defend himself against sharks. He is squeezed in, he has no alternative, he must pay, he must find any way whatever to pay the loan back. A woman might have to prostitute herself, a man might have to steal. There is no alternative since otherwise the borrower's life is threatened. This is, I think, the most serious aspect of loan sharking and it is for this reason that we must pass legislation. I leave it up to the Minister of Consumer and Corporate Affairs (Mr. Ouellet) to legislate so as to see to it that loan contracts are well explained to consumers in order that they may be completely protected.

Mr. Paproski: Shame, shame!

Mr. Gilles Marceau (Parliamentary Secretary to Minister of Justice): Mr. Speaker, my hon. friend expressed his opinion and if he wanted to show his usual kindness, he would allow me to express mine in the few minutes which I have left.

The bill makes it an offence to grant loans at rates exceeding 24 per cent. Its drafting and place in the statutes raise a number of difficulties. First, the provision, which would come under the section of the Criminal Code on aggravated theft or extortion, does not make any reference to threats, accusations, acts of violence or assault prior to the acceptance of the loan.

What is the real social problem in that case? Is it as a result of threats against them or their families, blows or other doings already considered as offences under the Criminal Code, that some agree to pay excessive interest rates or is it on account of their social and economic situation or their limited ability to borrow that others cannot more readily and on better conditions get the money they urgently need from respectable institutions or organizations?

If, as indicated by the suggested place for this offence under the Criminal Code, it is the first idea to remember in this bill, it should be noted that

(a) open threats, made to force someone to accept a loan, are already offences under the Code,

(b) the bill will not solve the matter of "loan sharking", since assault, extortion, threats and so on, are already considered as criminal offences in the Code.

For lack of any form of extortion as a condition for obtaining the loan or its reimbursement, this bill partakes really of the nature of a loan sharking interdiction. This bill may come up against the current Interest Act which provides that, except otherwise legally indicated, people may agree upon interest or discount rates. The abrogation of this principle, civil in nature, by a bill with penal connotations may seem an extreme step.