

Interest Act

recording fees, or is claimed as fines, penalties or charges for inquiries, defaults or renewals or otherwise, and whether paid to or charged by the lender or paid to or charged by any other person, and whether fixed and determined by the loan contract itself, or in whole or in part by any other collateral contract or document by which the charges, if any, imposed under the contract or the terms of the repayment of the loan are effectively varied.

From that comprehensive clause of the bill I take it that if it were passed the rate that may be charged by firms providing instalment credit and making conditional sales contracts would be regulated to the extent of a maximum of 12 per cent per year.

I have been asked why I placed the rate so high. I think a good argument could be made for a lower rate. Certainly loans made by the chartered banks and by a great many credit unions in the country, money loaned under the Farm Improvement Loans Act, the National Housing Act or the Canadian Farm Loan Act, all carry lower rates of interest. But in my experience in parliament I have found that if one sometimes goes all the way, hon. members opposite will use every possible argument to suggest that the provisions of the bill are too wide-sweeping and that therefore it should be defeated.

I believe the terms of the bill are moderate. They propose a maximum rate which is the same as that which I proposed last year in Bill No. 3. With that proposal last year and with a similar proposal the year before the government did not see fit to go all the way but they did see fit to bring in a bill which is saving the public of Canada many millions of dollars. I suggest that the bill before us is one that the government and the house should consider. I think the suggested rate of 12 per cent per year is certainly as high as any rate should be.

Another reason why I suggest that rate is that many credit unions in Canada charge a rate of approximately that amount. I do not believe I should suggest any interference with the business done by credit unions. If I had made that suggestion I am sure it would have encountered a great deal of opposition from the government.

What firms are providing instalment credit generally? I think it is true to say that, generally speaking, instalment credit with the very high rates of interest that are charged is provided by the large retail firms such as Eatons and Simpsons-Sears and some of the big finance companies in this country. I do not think the ordinary merchant, the corner grocer or the independent dealer, is making any charge for instalment credit. As far as my experience goes with ordinary businessmen, it is that their credit almost invariably is extended without an interest charge. They provide credit for their customers—very often a substantial amount of

credit, totalling for all of their customers many thousands of dollars over a one-year period—and that credit is provided interest free. Very often some of the customers have been doing business for some time on a credit basis with their friend the local merchant, and when they obtain a little cash they are sometimes tempted to take their business elsewhere, to some of the big firms I have mentioned.

In going to the large firms I doubt if many of the patrons are aware of the fantastic rates that are charged. I suggest that the very high rates that are charged are levied in order to make a substantial profit on the credit business itself. I have had information given to me to the effect that certain firms are far more anxious to do business on a credit basis than on a cash basis; that they find that their credit basis is a profitable basis because they can make these exorbitant interest charges.

One of my colleagues in this house, namely the hon. member for Regina City, told me last year that he considered buying a washing machine on the instalment basis until he calculated what the suggested interest rate was, and it worked out to 30 per cent per year. We know that the rates charged by many financial companies on conditional contracts are 15 per cent, 20 per cent and 25 per cent; and the instalment firms like Eatons and Simpsons-Sears on their smallest purchases charge the fantastic rate of 54 per cent per year.

Mr. Harris: Has my hon. friend put that on the record in detail, or is that just the first reference he has made to this matter?

Mr. Argue: I doubt if it is either. I think it is the second reference. I do not think it is in detail. I have placed this same information on the record a number of times in years gone by and it has never been challenged in this house. I have used it many times. I had it challenged last fall by a man who worked for a long time, so he told me, for the Simpsons organization. I told him on what basis the calculation had been made by a man whom I considered to be a good mathematician, and I told him if he could show me that the mathematics were incorrect I would be quite prepared to make a public correction. The same thing, of course, applies here; but to my knowledge the figures are correct and the interest charges I have stated are correct.

Mr. Sinclair: What was that charge?

Mr. Argue: It was a rate of 54 per cent per year on small purchases. Here it is. On an unpaid balance of \$20 the carrying charge is \$2.25 with a monthly payment of \$5. This