

with the *Caisse Populaires* small loans organization for 50 years, and with other welfare organizations for 40 years. Before 1936 the interest rate charged by the small loans companies under this act was 3 per cent a month, I believe.

**Hon. Mr. Howard:** That is right.

**Hon. Mr. Vaillancourt:** In 1936 the law reduced it to 2 per cent per month. That is enough—and not only enough, but I think it is too much. As we say in French, “*C'est un mal nécessaire*”. But the statement that it is a necessary evil is not an explanation. The *Caisse Populaires* lend as much as \$200 million and \$300 million a year, one-quarter of it on short-term notes of from \$1 to \$300. We borrow our money at 5 per cent, and at the end of the year some *Caisse Populaires*—such as, for instance, the one at Lévis—will return a patronage dividend of three-quarters of one per cent.

The Board of Directors of this organization give their services entirely free. They labour for the benefit of the people without charge. I recall an occasion back in 1931 when the *Caisse Populaires* had a discussion with my honourable colleague Senator Euler, who was then Minister of National Revenue. We met him at his office and discussed the question of whether the profits of the *Caisse Populaires* were subject to income tax. We assured him, to his surprise, that the directors of the organization were working without remuneration in the interests of the common people, trying to teach them how to manage their incomes and thereby lead a more satisfactory life.

We are today facing the great threat of inflation. One has only to tune in the radio, watch the television or read a newspaper to learn of opportunities to buy goods without making a down payment. Many people in the lower middle class are attracted by advertising of this kind, and they do not always realize that when they buy something without paying any money at the time, they will be obliged to pay later. It is unfortunate that the federal Government cannot do something to control such credit arrangements, but this is a matter that comes within the jurisdiction of the provinces and must be settled by them. Regardless of whose responsibility it is to curtail credit, I believe very strongly that a customer should be required to pay at least 5 or 10 per cent of the value of an article upon purchase and to settle the balance within a reasonable time. I noticed just yesterday an advertisement by a small loans company headed “Vacation loans”.

**Hon. Mr. Howard:** “Pay when you come back”.

**Hon. Mr. Vaillancourt:** Yes. Now, if the people in low income brackets do not have money to pay for a vacation before they go away, how can they have it when they return home, after having incurred additional expenses while away?

After the committee of the House of Commons which considered this bill presented its report I received a visit from a veteran. This is his story: Last May he borrowed the sum of \$567.42 from one of the larger small loans organizations. His arrangement was to repay the amount in 24 monthly instalments of \$30 each. That would have meant a total payment of \$720, or an additional \$152.58 by way of interest for two years. However, in May his wife took ill, and his circumstances forced him to interview the company to see if it was possible to suspend his monthly payments for four months. The company said that could be done, but that he would be obliged to repay his loan commencing September 1 in the amount of \$40 per month for twenty months. Under that arrangement he would be obliged to pay \$232.58 by way of interest on the \$567. That meant an even higher rate than 24 per cent—it was about one-third of the principal amount. Under such circumstances the company explains that it is put to some trouble in changing his papers and so on, and so attempts to justify the high charges.

I recently had a visit from a man who had moved to Ottawa from London. While in that city he had borrowed from a small loans organization, and was making repayment in instalments on the 15th of each month. He found when he arrived in Ottawa that it was not convenient for him to pay on that date, and he asked that the date be changed from the 15th to the 18th of the month. The company said it would permit him to do that, but that the change in date would necessitate an extra charge of \$2 per month. That, I think, is unjustifiable.

It has been said that if Parliament passes this bill the large companies will be able to carry on but the small ones will have to go out of business. An investigation conducted by the Insurance Department has indicated that passage of this bill will cause not more than 10 per cent of the small organizations to disappear. After all, honourable senators, we are here to protect not 50 or 60 small loans companies, but the people of Canada. Let us do our best for them.

The motion was agreed to, and the bill was read the second time.

#### REFERRED TO COMMITTEE

**Hon. Mr. Hawkins:** Honourable senators, when I introduced this bill I indicated that upon its receiving second reading I would