BANK ACT ENQUIRY RESUMED

Interest Rates—Discounts Discussed—Merger was in Interests of Banking and Also of the Public

What interest rate the banks shall be allowed to charge on loans or discounts was the first consideration when the Banking Committee resumed its enquiry on Tuesday into the Bank Act.

Mr. E. W. Nesbitt favored leaving the rate to be determined by competition, while Mr. W. B. Northrup said it was improper to limit the banks to 7 per cent. when 8 per cent. was easily secured on mortgages.

The committee adopted an amendment by Mr. Emmerson that the banks must make a return to the department of the highest rate of interest received each month. It rejected a proposal to make any excess charges over 7 per cent. recoverable at law.

Hon. W. T. White stated that, in the West particularly, a limitation would recoil on the borrowers. He was agreeable for any one of three courses—to allow the clause to stand, to strike it out, or to make the maximum rate to be fixed by the Minister. If he thought the rate charged extortionate, the remedy would be in his hands.

Sir Edmund Osler protested that limitation of interest rates would injure the borrowers. "It will mean," he said, "that a third of the new branches will have to be shut up." No system could be devised to give the information called for by the monthly return showing the maximum rates charged.

Mr. White then submitted this amendment: "The bank may stipulate for, take, reserve or exact such rate of interest or discount as may be agreed, and may take in advance any such rate, but no higher rate of interest than seven per cent. per annum shall be recoverable by the bank."

Concentration of Capital.

When the chairman reminded Mr. Duncan Ross that he had given notice of an amendment respecting the guarantee of deposits, the Middlesex member remarked "It would be unwise to press such amendment now."

After considerable discussion as to the charges for discount, an amendment by Mr. F. B. McCurdy carried on a division. It fixed the charges at one-eighth of one per cent., but provided for a minimum of fifteen cents. For collections between banks the rate of one-half of one per cent. was changed to one-quarter and the minimum charge was fixed at 25 cents.

Mergers were discussed, and Major Sharpe spoke against the concentration of capital by amalgamations. He referred to the evidence of Mr. Pease, that after the Traders Bank directors had sold out to the Royal, they were pensioned or provided for. He insisted upon an act of parliament being necessary to mergers, and moved to strike out the clause.

No Hard and Fast Rule.

Hon. Mr. White: "You cannot lay down any hard and fast rule. Very large banks should not be allowed to amalgamate. I have no hesitation in saying that the Royal-Traders merger was in the interests of banking, and also of the public. I think the new provision that the consent of the minister shall be a condition precedent to agreements to merge is sufficient."

Major Sharpe's amendment was voted down.

Following considerable discussion, the committee rejected Mr. Sharpe's proposal to make the government instead of the banks the custodian of unclaimed bank deposits.

On Wednesday, when the committee continued its enquiry, Mr. Emmerson expressed the opinion that the amendments respecting interest were distinctly favorable to the banks, and Mr. Carvell wished the clause with the seven per cent. limitation to stand as it was. Mr. White agreed with the view that if interest rates were arbitrarily fixed, it would appear against the development of banking facilities in the new parts of the country.

Mr. McCraney stated that in the west there is a prevailing view that the Bank Act operates against the borrower in favor of the lender. Whatever limitation was put on, should be lived up to.

Mr. Sexsmith wanted to know why the banks could charge what they like while usurers were limited. "You are allowing the banks to take the place of usurers, that's all," he said.

"You are taking the lid off usury," opined Mr. Emmerson.

"Banks," said Colonel McLean, "are not benevolent institutions. If you restrict the banks to a low rate of interest in western Canada, it will be very bad for them."

Mr. White's Amendment Adopted.

Finally the amendment of Mr. White, which is given above, was adopted.

Major Sharp afterwards presented an amendment that notes with banks should stipulate on their face the rate of interest.

Mr. Nesbitt: "You might as well legislate to determine the price of peas."

Mr. Nickle supported the amendment, stating that people were entitled to know the exact rate of interest they were paying.

"You are making a crazy quilt of the act," asserted Claude MacDonell. "One class of notes are illegal and another legal."

"If you ask my views," said Mr. White, "I am of the opinion that we should not change the act." The amendment was defeated. Mr. Emmerson's proposed monthly statement of maximum rates charged was defeated.

Mr. MacDonell wanted the clause respecting collection charges, reconsidered. The committee declined.

Mr. McCurdy's amendment which makes it an offence for directors, officers or clerks of banks to accept gifts from those seeking or obtaining banking accommodation was approved.

Then Major Sharpe moved an amendment against restraint of competition and providing imprisonment or fines where banks agree upon rates or to limit branch competition. It was rejected.

Mr. Carvell complained that in the Maritime Provinces bank managers act as insurance agents and compel those dealing with the banks to place their insurance with them. He proposed an amendment prohibiting this business.

"I agree with that," said Mr. White, "if the branch managers are not paid enough—and I consider that in the outside field they are greatly underpaid—their salaries should be raised."

Colonel Currie, who objected to depriving branch managers of any privilege they now enjoy. The Carvel amendment was carried.

MR. SOMERVILLE MADE A DIRECTOR

At a recent meeting of the board of directors of the Manufacturers' Life Insurance Company, Mr. Geo. A. Somerville was elected to the directorate to fill the vacancy on the board caused by the resignation of Mr. W. B. Strachan, of Montreal. Mr. Somerville, who has been general manager of the company since 1907, now becomes a policyholders' director in Mr. Strachan's stead.

PROGRESS IS SHOWN AT MOOSE JAW

"Excellent" was the optimistic remark regarding Moose Jaw conditions, expressed in an interview at Toronto, with The Monetary Times, by Mr. Richard Loney, of the well-known Moose Jaw firm of R. Loney and Company, during his visit to Eastern Canada. "While the monetary stringency has been felt, money has not been actually tight," said he, "and building prospects are good." Questioned as to the flax mill which is to be built at Moose Jaw, Mr. Loney stated:—

"The Metzger Seed and Oil Company, of Toledo, had recently completed an agreement with him whereby they are to build at Britannia Park, Moose Jaw, a flax mill capable of grinding 8,000 bushels of flax per day.

"The mill will be a twenty-four press mill when completed according to the plans which have been prepared although my agreement and the agreement with the city calls for only a six press mill. The company expect to begin excavating and levelling the ground during May, and they expect to have the plant in operation to handle the flax crop of this year which will mean by September 1st or thereabouts. The agreement calls for the completion and operation of the mill by the 1st of April, 1914, but every effort will be made to have the plant operating this fall."

"When asked as to what the size of the plant will be Mr. Loney stated that a site of twenty-five acres had been given to the company and their buildings would occupy about five acres.

"Commercial interests, both wholesale and retail, are fairly busy, and the Moose Jaw board of trade is increasing in its activities and numbers nearly eight hundred members, who are watching for industries desiring a location. Moose Jaw Street Railway is making further extensions this year.

"The prospects thus early are for a satisfactory crop.

"Moose Jaw real estate is in demand, especially good inside city properties, was Mr. Loney's reply to a question regarding the real estate situation in his city."

The British Crown Assurance Corporation has been licensed to do business in British Columbia. The head office for the province is at 107 Bank of Ottawa Building, Vancouver.