

Loan Sharking

hood. The Minister of Manpower (Mr. Andras) keeps shilly-shallying and makes every effort to meet the requests of students and of members on behalf of students in the various constituencies of Canada. He cannot do more. But three and a half billion dollars to pay interest on money created out of nothing for private organizations to get Canadian taxpayers into debt, Mr. Speaker, that is usury.

This is why, times and times again, I suggest to Parliament that it should take the necessary steps. We, members of parliament, are here, sent by taxpayers, by Canadians, to exercise authority in this Parliament, the supreme authority in Canada.

There is nobody above it, and if we really wanted to exercise the authority given to us by the Constitution, we could legislate on monetary matters, on the financing of the public sector, so that the Bank of Canada should be allowed to keep a continuing record of figures, statistics, as well as the gross national product and the work of Canadians, and to issue new credits, as needs be, not at a 15 per cent rate of interest, but at a rate which would offset administrative costs only.

This is in the public sector, and a considerable amount of money would be saved, which would unclutter the money market. We should get rid of an important competitor, the Government of Canada. In a way, we are kind of competitors to private business on the lending market. It is not surprise that the rates of interest raise. It is no surprise that usury should gain ground and that we should accept the situation as if it were normal, while it is not, at least in my mind and in the mind of a former prime minister of Canada, the Right Hon. Mackenzie King. As I said before, he was right in saying that, when a country does not control its credit, its money, it is vain to speak of democracy, because then you are dependent on those who control the economic blood of the country.

All these agencies who make loans at exorbitant interests are in the hands of the chartered banks in Canada, those financial institutions which are called credit agencies. They are owned by the chartered banks in Canada. This is an indirect way of lending money at higher rates, without any record in their files, without their names being used.

I suggest we should support this legislation because at least it would be a first step towards bringing to account those organizations that live off the people, that take advantage of trying circumstances facing small taxpayers to extend credit at extravagant and unfair rates. For this reason, I wholeheartedly support Bill C-203.

● (1740)

Mr. Claude-André Lachance (Lafontaine-Rosemont): Mr. Speaker, I would first commend the hon. member for Toronto-Lakeshore (Mr. Robinson) for introducing Bill C-203 on loan sharking, to amend the Criminal Code by adding a new provision regulating practices in this area.

Indeed, this is a very serious problem, especially since it was more or less underlying in the last few years. Then came revelations by the inquiry commission on organized crime, and those by the Cliche Commission, which showed not only that the problem was very serious, but that there was a pressing need to legislate in the field covered by this bill.

How can loan sharking be defined? This is very difficult in a free market economy as we have here in Canada. Courts of justice have defined it more or less vaguely and, on the other hand, the federal and provincial governments have legislated in this field to see what was the best way to establish the level of usurious rate. However, they were not able to do it.

This is because, according to market conditions, there may be a period in a year where a rate of 18 per cent would be considered usurious. On the other hand, in another segment of the market, in another economic activity, there could be an annual rate of 25 per cent, 26 per cent or 27 per cent which would not be considered as usurious but as perfectly normal by all the people concerned, including both the lenders and the customers.

But the government has realized that in what is called the small loans area, there had been flagrant abuses and that some effort had to be made in order to protect the consumers against these abuses, coming from contracts accompanied by credit, from contracts written and given out by finance companies and from the loan sharks, who lend at usurious rates.

Therefore, the governments legislated. First, in Quebec, for instance, there has been the Consumer's Protection Act which particularly refers to loans at usurious rates in section 21 and which determines this rate by regulation. Obviously, the rate is not determined in the act because if it were, at some times of the year, this rate would not be adequate in view of market conditions. Therefore, it was decided to set the exact usurious rates by regulation.

In Canada, there has been first of all the Interest Act, which tried to put some order in the matter. There has been the Pawnbroker's Act. But, mainly, there has been the Small Loans Act. This was aimed at putting some order in the whole area of loans under \$1,500, made by individuals, by agencies, by companies, according to rules which were absolutely ferocious and most often disadvantageous for the consumer. Therefore, it was said: From now on, pawnbrokers must have a license to make loans under a certain amount, penalties are provided and they are liable to prosecution for fraud or for breaking the law.

However, the Small Loans Act appeared to be more or less easy to administer. Indeed, by setting figures and rates, some protection was given to a number of people, those likely to fall back on finance companies. But at the same time, another segment of the population was left completely helpless, at the mercy of sharks, and I refer particularly to those who do not have the advantage of a good financial background, those who do not have a good credit rating, as they say in those circles.

When they go to the bank, those people are told by the manager: Sorry, your funds are low. We have no money for you. Then, they apply to a finance company and when they are asked if they have property that could eventually be sold, they reply: No, we just have a TV set, a couch and one or two chairs. Those people go and see an individual and ask him: Could you lend me \$50? They get this answer: No. sorry you have no security. That is the big thing: no security. So, those people who have no security to give to the lender—all the same, those lenders must protect themselves, they are not to be blamed for that—but those people with no security are at the mercy of those sharks from nightclubs and other such places who come