

Bank Act

Mr. Bob Rae (Broadview-Greenwood): Mr. Speaker, I think the public and, indeed, hon. members who have not been in the committee should be aware of the fact that there have been lengthy discussions with respect to many of the provisions of this bill and that there are several matters which remain outstanding. There are proposals which have been made to the government by my party, as there have been by members of the Conservative party, including the hon. member for Edmonton West (Mr. Lambert), concerning the Bank Act, and I think there are some remaining philosophical problems and very practical problems which I would like the minister to continue to consider as we approach the summer recess and before we return in September or October for the next stage of consideration of the Bank Act.

I remind the minister that my party has raised a number of questions, many of which have been dealt with by the minister, and I think the public should be aware of just how far we have come and, in our view, how far we have yet to go in order to have the kind of banking legislation which reflects the public interest.

There are a number of points I would like to raise. The first is the question of interest monitoring and the regulation of interest rates. The experience we have had over the last weeks and months indicates that there is a need for greater public presence. We have an extremely uncompetitive banking system and an extremely concentrated banking system in Canada. The banks have managed to accumulate tremendous marketing powers, even since the passage of the Bank Act in 1967. There is clearly a need for a greater public presence and a greater degree of monitoring and regulation by the government of the charges levied and services rendered by the banks to consumers, small businessmen and, indeed, not so small businessmen in the Canadian scene.

When a year ago one of the chartered banks decided it would go to 21 per cent, the other banks joined together and said, "No, we are not going to let the Toronto-Dominion Bank get away with that; we are going to hold the rate down to 18 per cent". The Toronto-Dominion Bank had to step back. Then all the banks took the decision that they would together go to 21 per cent on their credit card charges.

The question which has to be dealt with by the government—and there is yet to be a convincing answer from the minister—is why it is that we have such a lock-step development in all the interest rate charges which are levied on the consumer, on the small businessman and on all those people who use the services of the banks. What manipulation of differentials and spreads has there been, and is it not in the public interest, at a time when interest rates are going up and down at a tremendous pace and there is a great deal of residual manipulative power in the hands of financial institutions such as banks, to see that these rates are carefully monitored by the government? For example, today we noticed that there has been a marginal change in the bank rate charged by the Bank of Canada on its own treasury bill notes. Should we not also be monitoring and looking very carefully at what rates are being charged to the Canadian consumer for a

car loan, a house improvement loan or in the area of consumer credit and small business credit? That is an issue which remains one of a difference of opinion between my party and the minister.

During question period the Minister of Finance (Mr. MacEachen) is always prepared to say that the government is going to be vigilant in this area and is deeply concerned. Then when he is actually faced with amendments from our party, there is a totally negative response, and I find that ironic. I could understand if the minister said that a certain proposal is not exactly the way he would proceed and that we would want to proceed in another way, but that is not the response. The response has been just a blanket refusal to deal with the power of banks to set rates in a non-competitive way. Evidence is very hard to garner because one has to look from quarter to quarter, but there is very little doubt that the banks have survived the period of high interest rates with healthier profit ratings than anybody expected, and they appear to be surviving, if I may put it that way, the lowering of interest rates very well indeed. There certainly have been no bank losses over this time.

The hon. member for Edmonton West speaks of bank bashing. It is not a question of bashing any particular institution. It is a question of developing an understanding as to how our economic system in fact works rather than how it is supposed to work in theory. If the hon. member for Edmonton West and members of his party have a different view, that is fine, but I do not think he can charge that we have not done our homework or that we have failed to give detailed advice, offer amendments or express concerns to the minister, with as much precision as we have been capable of in a difficult area.

● (1640)

The second area is the area of foreign banks, and I think there is still a difference between us. We are not happy about it but we recognize the reality that there is a large majority of members in this House who are in favour of admitting foreign banks to Canada. We have suggested to the minister that there should be a mandatory hearing process which would require that the Inspector General of Banks carry out an investigation of the intention of foreign banks, and indeed of any new chartered bank, to guarantee that their being given letters patent is in the public interest.

I am sorry to say that the minister has thus far refused to grant more than a purely discretionary power to the Inspector General. I think the minister should really look at what has happened in all our jurisdictions in the provinces. For example, it is difficult to get many forms of licence without going through a hearing process. Our administrative law has developed right through the provincial jurisdictions, which gives a great deal of power to parties who previously would not have been regarded to have standing, and it has become far more sophisticated and far more, if I may use the word, liberal in its granting of the right of standing and the right to a hearing. For example, you cannot get a liquor licence in the province of Ontario unless there is a hearing, unless a notice is granted,