

*Interest Act*

opposition we received support from certain members of the government party and members of the opposition parties, and the government's own measure was saved in the committee from the objections of its own members. I believe the evidence taken before that committee will show that the bill passed by the house last year will be instrumental in saving the public of Canada who obtain loans from small loans companies an amount of at least \$10 million over a 12-month period.

I believe that demonstrates that members on the opposition side of the house who sponsor a measure that gains widespread public approval can be instrumental in bringing about a very substantial saving to the general public. I am so bold as to hope at this time that the bill now before the house will result in the government taking action in the whole field of instalment credit. We found that on loans in excess of \$500 the small loans companies were charging very exorbitant, in fact fantastic, rates of interest. I believe the work of the banking and commerce committee last year in this whole field was very important and demonstrated conclusively that parliament should take action in the whole field of consumer credit.

I have in my hand a Bank of Canada statistical summary which shows that in the 12-month period from September 30, 1955, to September 30, 1956, the amount of instalment credit in this country increased from \$944 million to \$1,152 million. The amount of instalment credit is very substantial. In addition, there is an amount of \$345 million listed as charge accounts. This gives the house some idea of the tremendous size of instalment credit in the country at this time and the importance of parliament taking a look at the whole field.

On February 6 I asked the Minister of Finance the following question, as found at page 1015 of *Hansard*:

Has the government given consideration to the introduction of legislation at this session to control the exorbitant interest rates sometimes charged by certain business firms on instalment credit and conditional sales contracts?

At that time the reply was as follows:

I think the answer to that ought to be, Mr. Speaker, that if any such legislation is to be introduced notice will be given in the ordinary manner. Perhaps I could couple it with a question as to whether or not my hon. friend would recommend it?

My answer was, "Very definitely, yes." I further asked the minister whether in giving consideration to this question he would be prepared to extend at least the same control over general instalment credit as has been extended over the field of small loans. On

[Mr. Argue.]

previous occasions we have proposed in the house that the government should introduce legislation to control the charges made by instalment firms. We have been told by members of the government that such a thing could not be done within the constitution of the country, that the matter of interest was something the federal government could control but that conditional sales contracts had to do with property and civil rights, and therefore the government had no control over the carrying charges or the charges made on instalment credit.

We had before the banking and commerce committee last year a very important witness, namely Mr. F. P. Varcoe, the deputy minister of justice; and on this question we obtained some extremely important information. This question was asked by the hon. member for Cartier (Mr. Crestohl) as reported at page 684 of the minutes of proceedings and evidence of that committee:

Q. Would not discounts, for example, and contract of sales be another form of interest? A. Yes, discount is a form of interest.

A little later on the hon. member for York-Scarborough (Mr. Enfield) asked the following question:

Q. Does parliament have the constitutional authority to modify a term of a conditional sales contract? A. The rate of interest or discount could be regulated, certainly.

Q. The regulation now is in the Interest Act. Section 2 of that act states:

"Except as otherwise provided by this or by any other act of the parliament of Canada, any person may stipulate for, allow and exact, on any contract or agreement whatever, any rate of interest or discount that is agreed upon."

A. Parliament could repeal that and say you could not contract for more than 5 per cent, or whatever it might be.

Q. So the conclusion of the arguments, then, is that any charges whatsoever under a conditional sales agreement by way of prior discount could, if we wished be regulated by an act. A. That is correct.

So I take it, Mr. Speaker, that it is within the constitution and that it is within the right of parliament to legislate on interest and, in legislating with regard to interest, to legislate with regard to discounts and all other charges that may be made by firms in granting instalment credit.

The terms of the bill that I have before me have been copied to a large extent from the terms of the Small Loans Act, chapter 251 of the Revised Statutes of Canada, 1952. It defines what is a charge that may be made by a company providing instalment credit. It states as follows:

Except as otherwise provided by this or by any other act of parliament no person may stipulate, allow or exact on any contract or agreement whatsoever, a rate of interest in excess of twelve per cent per annum, whether it is called interest or is claimed as a discount, deduction from advance, commission, brokerage, chattel mortgage fees, or