

Bank Act

Mr. Flemming: I have referred to Mr. Rasminsky, the governor of the Bank of Canada, who appeared before us many times. I shall not read the whole list which is embodied in the report, but before concluding I wish to point out that many learned professors of economics appeared before the committee. Last but not least, the Minister of Finance appeared before the committee. I am the first to say he made a favourable impression. I thought he was a person who not only knew what he wanted to do but, once he knew it, determined to do it in a particular way. A person's ability to make up his mind is a great thing. I do not always agree with everything the minister does, but when he came before the committee and made a decision it was always based on something pretty sound and solid.

• (5:50 p.m.)

I shall not go into the whole question of the Mercantile Bank. My hon. friend who preceded me dealt with it very thoroughly. I agree with what he said about the banks needing competition. We can learn a great deal by having experienced people in the banking business come to Canada and contribute their experience and money toward an increase in the flow of funds which we need for development purposes. Where shall we get the money to develop our country if we do not borrow it from the United States? There is no other place. We cannot expect our citizens to take the last dollar out of their savings accounts to develop our country. They cannot afford to do that. Many people place money in banks for safekeeping, thinking of the proverbial rainy day. We cannot take those funds and put them into what are called risk capital ventures. Therefore we have to borrow money. I cannot say anything strong enough to voice my objection to so-called anti-Americanism, if such exists in any part of this chamber. Where can we get funds if we do not approach our neighbours to the south?

One thing which interested many members of the standing committee was the definition of the business of banking. I must say it did not bother me at all. When I had anything to do with banks I was more anxious about getting a loan than about putting a label on the fellow giving out the money. In a practical sense the definition did not bother me. Can a comprehensive label be put on the business of banking? It is important to have this question answered, but I do not think the standing committee has answered it.

I think that under most general headings the near banks, trust companies, and credit unions qualify as banks because they accept deposits, lend funds and have no interest ceiling rate. What they do must be a form of banking. During the committee hearings it became apparent that the banks had been obliged to obtain extra revenue to service some of their accounts. I am one who thinks that if you put \$1,000 into a bank and issue cheques on it within a few days the bank is entitled to something for the service it provides.

The committee also dealt with the question of compensating balances. A borrower might obtain \$100,000 from a bank but could only use \$90,000, being required to leave the rest on deposit. This bill contains a provision whereby all charges of this nature must be specified when a loan is made. The committee studied the whole question of service charges and felt it was reasonable to have such charges.

Possibly the most important single factor which the committee considered, and which is provided for in this bill, is the removal of the ceiling on interest rates. It is a question which may be bothering many hon. members who are within the sound of my voice at the moment. All I can say is that the interest rate has been set and the bill provides that for a certain length of time it shall be at a certain maximum. After that the ceiling will probably be removed. When we consider this point we must keep certain comparisons in mind. We must compare the ability of the banks to attract deposits in competition with trust companies and credit unions. I assume their ability to attract deposits depends on the legal rate at which money is lent. The present legal ceiling is 6 per cent for banks and this curtails their ability to compete with some of the so-called near banks which have no such ceiling. They can lend money at the highest rate of interest they can get people to pay for it.

I have noticed on the main street of Fredericton a trust company notice offering to pay 7 per cent on deposits. I do not know what the qualifications are, but it is unreasonable to expect banks to lend money at 6 per cent when their competition will pay 7 per cent on deposits.

The Porter royal commission recommended that the interest ceiling be removed and that banks should be allowed the same freedom in establishing interest charges as their competitors have. The commission was of the opinion that banks should be able to participate in all