

Consumer Credit Controls

before it was overdue and without notice of any defect in the title of the person who negotiated it. Not even the fraudulent conduct of a prior holder is a good defence if unknown at the time of the purchase of the note by the holder suing.

As a result of seeing that bills and notes in the hands of innocent purchasers of them were subject to few, if any, equities, some merchant likely hit upon the idea of selling his goods on a deferred payment contract and taking a collateral note as additional security which he could sell if need be. This note he likely eventually backed in favour of his bank. He suffered a discount on the principal amount of the note but still showed a profit on his sale. The bank then collected principal and interest directly from the buyer of the goods after giving the buyer notice of the assignment of the note to it.

In time this practice grew. Individuals, finance companies, acceptance corporations and other financial institutions also went into the business of buying collateral notes at discounts. As time passed these buyers became less interested in the size of the discount they could get from merchants than in the size of the interest rate on the note. Merchants were encouraged to get the paper signed up at the rates of interest set by the finance companies, and in some cases premiums have been paid to merchants for quantity of paper assigned. Other merchants have found it profitable to sell great quantities of goods at cost, or close to it, and make their money by carrying their own paper or setting up their own finance companies.

• (5:10 p.m.)

Today we have found that a real monster has grown up about us in the form of undisclosed interest rate on these transactions. The effective interest rate on these credit-sales contracts and their collateral promissory notes is often higher than 24 per cent per annum. The finance companies are making phenomenal profits as a result, even in the small loans field. Fortunately corporation taxes capture almost 50 per cent of these profits for government, but the man on the street is being exploited by a lawful form of banditry based on the know-how of high finance, the unawareness of the man who buys on time, the co-operation of merchants and the inertia of government.

This bill will not prevent exorbitant interest rates on conditional sales contracts but it will cramp the style of those employing collateral notes in connection with them and

will set a new tone in merchandising that will be better for both the merchant and his customer. A customer paying exorbitant interest cannot buy as many goods in the long haul as he otherwise would. This bill would encourage the merchant to make his money out of mark-up once more, instead of by usurious conspiracies with finance companies.

With this bill the federal Government can lead the way, as it should lead the way, in an area which is its sole concern and responsibility. It can do much to stop the highway robbery indulged in by finance companies with the aid of used car dealers and door to door salesmen. Listen to this extract from the *Toronto Telegram* of January 14, 1964:

Sales "Gimmicks" said Abominable but okays Bill
A county court judge criticized one company for 'high pressure salesmanship' and using 'abominable methods or gimmicks of selling', but awarded a finance company \$590 for the installation of a water softener.

Judge Harold Timmins—

—who by the way is a former member of this House—

—ordered Mr. and Mrs. Stanley R. McLean, of Axminster Rd., Richmond Hill, to pay the money to Algonquin Building Credits Ltd.

The water softener was sold without down payment by Water Conditioners of Canada which later sold the promissory note for \$590 to the finance company.

Listen, too, to this non-exaggerating editorial from the same paper. The heading is "Crooks At Large".

Each year people in Ontario are cheated—quite legally—at a cost of a large part of their earned income.

The victims, of course, are the gullible. In this company are the illiterate, the newcomers to our land who do not understand the language perfectly or the complexities of our credit system, the aged and the trusting, the young who want more of the good things of life in a hurry.

It is easy to moralize about this. It is easy to say that the sensible man or woman should deliberate well before entering into a transaction that gives them credit at usurious rates. But the fact of the matter is that they don't. Not all of them, by any means.

These are the people who are the simple victims of the men who traffic in ignorance, ingenuousness and faith.

At a time when credit buying is a way of life, it is understandable that some of the economically illiterate may be as they are, committed to transactions that demand as much as a hundredfold interests on the value of goods they buy.

Surely these people must be protected, just as minors must be protected by law from the sophisticated scheming of adults. They are, to all intent, infants in law.

The Telegram's Special Squad has documented many cases where the unknowing or the gullible have committed their meagre fortunes to obtain what appeared to be a demanding need. Others have told similar stories in the legislature and the House of Commons and the Federal Senate.