

a price which is no higher than the mortgage the other man is carrying; and in many instances he is paying only five per cent on the agreement of sale. The man who is endeavouring to maintain his old farm, keeping his mortgage in good standing, is at a disadvantage in competition with the other farmer who has bought an abandoned farm or one which has been secured under foreclosure. There is a very difficult situation there and it cannot be met except by legislation reducing the rate of interest. I am not going to press the point any further to-night, but I hope the government will give consideration to the question, unless it appears, when the bill comes down, that provision has been made to meet it. I trust the government will even be prepared to go so far as to amend the Interest Act to provide for a reduction in the rate of interest on existing obligations of that sort.

Mr. BENNETT: The legal question, neatly put, is this. The exclusive legislative power is vested in this parliament to deal with interest; the exclusive power to deal with property and civil rights is vested in each provincial legislature. This parliament therefore has the right to determine what constitutes the legal rate of interest, and may declare in proper terms that no greater rate than a named rate shall be recovered from any person. But the Interest Act as it stands has left it open for any person in this country to exercise his own free will and make any contract he pleases to pay any rate of interest he agrees to pay to his lender. That is the law at the moment. Should no provision be made as to the rate, then if any rate applies it is five per cent under our act.

Now the hon. member for Macleod must realize that once a contract has been made, and under an existing rate of interest which was legal within the statute passed by this parliament, the extent to which this parliament can interfere then with a contract involving property and civil rights is an altogether different matter. As I understand the hon. gentleman, he suggests that this parliament, in the exercise of its plenary powers, should pass a retroactive statute declaring that notwithstanding contracts that have been made, all interest shall be reduced under such contracts to a given rate per annum.

Mr. NEILL: In future.

Mr. BENNETT: No, he said, as I understand, that notwithstanding what the contract

contained it should thereby be modified and it be declared that the rate instead of being the one fixed by the contract, should be a rate fixed by parliament.

Mr. NEILL: To be paid in future.

Mr. BENNETT: Yes; he said also: In respect to accumulated arrears of interest, but that was only secondary to the main part of his argument.

Mr. COOTE: I think I suggested only after the date of the passing of any act of this parliament.

Mr. BENNETT: That is, notwithstanding any contract that had been entered into heretofore providing for a rate of interest, after a given date the rate should be one fixed by this parliament. I see no reason why I should not tell the committee exactly what has taken place. I asked representatives of the loan companies, the insurance companies and the mortgage companies to come to Ottawa, and they very kindly did so. We discussed this situation at very great length and I will put their predicament to the committee in a single line. If we did that, they would be faced with bankruptcy. The reason is this: they have borrowed money on debentures for which they are paying the high rate of five per cent. As that money was borrowed largely from Scotland and the contract is there, if we reduced the rate to five per cent there would be a loss; if we reduced it to six per cent there would be a loss, for the average recovery of, I think, one of the largest insurance companies lending in western Canada was 4.83 per cent. I mention that because I approached this problem with an absolutely open mind and determined if I could to secure a concession from the companies that were lenders, indicating to them, in the words of Gladstone, that the forces of civilization were not yet exhausted against its enemies. But after I heard that one company had borrowed in Scotland \$30,000,000 on debentures on which they were paying five per cent interest, and another had borrowed \$29,000,000 on which they were paying five per cent, I confess I felt the provisions which we have inserted in the bill are about as far as we can go without deliberately putting into insolvency the institutions that are lending the money. One of the insurance companies produced its documents and I was amazed when I was shown that the average rate of recovery of interest, mark you, as the hon. member for Macleod (Mr. Coote) would say, was over a term of years only 4.83 per cent. That in itself was to me rather surprising.