

Bank Act

[English]

Mr. Benjamin: If the hon. gentleman wants to discuss this subject with the minister I hope he will get on his feet and do so. I hope he will support the amendment. I hope he will be courteous enough to allow the minister to listen to the members of the House of Commons who are trying to persuade him to accept the sensible, fair and decent amendment to the government's legislation. It would not be the first time that a minister has done that—listen to a private member of the House from another party.

Mr. Speaker, I am sure the minister does not agree that any financial institution should just be regulated by regulation when it comes to early full or partial repayment of indebtedness. It should be statutory that no lending institution may charge a penalty for early repayment. What can and should be regulatory is a requirement on lending institutions to provide some refund or benefit by way of a proportional refund of service or administrative charges, or any other kind of charges they dream up. This should be a requirement by regulation and should be left to the lending institutions, in whatever limited amount of competition there is amongst them, to advertise to their customers and members that if a loan is repaid so much earlier they will provide so much of a benefit, by way of either refund or credit. But you cannot avoid responsibility for not making it statutory that early repayment should not be penalized. After all, that is just ordinary fairness and decency to people who borrow money from time to time, and borrow it frequently, and pay it off on time or ahead of time, most of the time.

● (1540)

Those who pay off their loans ahead of time should be protected. Surely, making such a provision law would be better than to make it a regulation. I hope that the minister will agree with me and accept the amendment. Then he can make whatever additional regulations he wishes.

Mr. Don Blenkarn (Mississauga South): Mr. Speaker, the proposer of this amendment does not bring to the attention of this House the fact that a great number of loans made by banking institutions are demand loans, for which payment can be demanded almost instantly, or which the borrower can pay off instantly without notice. What we are really talking about is a select loan called a personal loan. Surely the hon. member for Regina West (Mr. Benjamin) would not want large corporate borrowers who know their way around the marketplace, and who can jump in and out of the marketplace, to go to an institution and say, "Interest rates are down half a point today, so I am paying you off", but on the other hand if interest rates were to rise, the bank would not be in a position to demand its money.

We are talking about a particular kind of term loan which is made to individuals. That is the reason why section 202(5) sets out where a bank lends money to an individual it must specify the exact terms of repayment, the exact privileges offered, and the details of the contract must be totally spelled out. That is also the reason why through sections 202(7) and 202(8) the

minister can make regulations with respect to the kinds of terms and repayment allowances allowed to a borrower.

But surely, in a matter of commercial and corporate contracts, the New Democratic Party is not saying to this House that any term loan can be paid off without notice or bonus. Requiring some type of bonus on a loan is common practice. Canada Mortgage and Housing Corporation for example, charges individual borrowers three months' interest by way of bonus if the borrower wishes to pay off the mortgage. That is a common, open privilege, and clearly the lending institution must be able to recover its cost of setting up the loan and finding the funds in the first place.

I would expect the regulations which the minister will produce to be specifically designed to protect borrowers. The minister said in committee that he will get rid of the rule of 78 and that he will make sure that the calculation terms in loans is easily understood so there will be no gouging, or no situation where a person is charged three and four months' interest for paying back a loan, and that the terms of payment and terms of openness in bank loans to individuals are fair and reasonable. I do not know what else the minister could do other than to suggest that the matter be handled by regulation.

We live in a rapidly changing commercial world, and different types of personal loans are invented almost daily. Surely we must leave with the minister, in a bill which will run for another ten years, the right to make regulations concerning repayment. While on the face of it if any borrower is able to pay off any loan at any time he wants without bonus, would sound very good, if the New Democratic Party had any knowledge of how a business operates and how large business loans are made on a term basis, they would deem themselves pretty foolish for putting forth this amendment.

The Acting Speaker (Mr. Laniel): The question is on motion No. 38 in the name of the hon. member for Broadview-Greenwood (Mr. Rae).

Is it the pleasure of the House to adopt the said motion?

Some hon. Members: Agreed.

Some hon. Members: No.

The Acting Speaker (Mr. Laniel): All those in favour of the motion please say yea.

Some hon. Members: Yea!

The Acting Speaker (Mr. Laniel): All those opposed to the motion please say nay.

Some hon. Members: Nay!

The Acting Speaker (Mr. Laniel): In my opinion, the nays have it.

Some hon. Members: On division.

Motion No. 38 (Mr. Rae) negatived.