

received consideration by the United States Supreme Court in the case of the Farmers' and Mechanics' Bank of Buffalo vs. Deering, and the decision was: where a national bank makes a loan at a usurious rate of interest it can recover the principal only, the interest being forfeited. Where a usurious rate of interest has actually been paid double the amount so paid may be recovered in an action brought within two years. Let us look at the records of one or two of the cases in this country. Take, for instance, the case of the Canadian Bank of Commerce vs. Macdonald. In that case the rate of interest charged varied from 18 to 24 per cent, and the court held that the bank had a right to charge it, because the borrower had agreed to it, because it was a voluntary contract, and judgment was entered against Macdonald. In 1905 we passed what was called the Money Lenders' Act, in which we restricted the ordinary Shylock to 12 per cent; but we took good care that that Act did not cover the banks. The banks were afraid that we were going to put them on the same basis as the ordinary Shylock; but that Act left them free to charge by voluntary contract any rate they saw fit. Now, I want to be perfectly fair in regard to this matter. I believe the great majority of our banks in this country do not attempt to do that class of business, but are satisfied to get from their borrowers a reasonable rate of interest; but I do say that we should not leave it in the power of any bank to charge an exorbitant rate of interest to the producers of this country. I might just say so that there will be no question about this, if a bank charges its debtors account with interest in excess of 7 per cent, the debtor is entitled to recover the excess. If, however, the debtor voluntarily pays the excessive interest over 7 per cent, such as by giving his cheque to the bank for such excess as shown by the bank's monthly statement, he cannot recover back the excess.

That was the decision in the Canadian Bank of Commerce vs. McDonald. There were also a number of other cases which went through our courts, but in each the courts followed the decision in the Bank of Commerce vs. McDonald and the Bank of British North America vs. Bossuth in the latter of which 24 per cent was charged a number of years and then 18 per cent.

From 1893 to 1897 we had a depression, the result of which was an increased amount of money. Our banks got loaded down with money and the Finance Minister properly reduced the rate of interest to depositors in the Post Office Savings Bank. Of course we know that the government rate controls the bank rate, but if the rate of interest to depositors was reduced in 1897 owing to the surplus of money, now that money is scarce it would only be fair to put the

rate back where it was before the reduction. I hope that the government will give special consideration to this suggestion with regard to usury. I know of my own knowledge many hard working business men who have been held up year in and year out for 9 per cent and 10 per cent for the money they require in their business. No businessman in this country can succeed and pay those high rates. No manufacturer can be successful and pay exorbitant rates of interest in this country when his neighbour to the south cannot be compelled to pay higher than 6 per cent.

There are other suggestions I would like to make, but I have taken up more time than I anticipated. I would ask the Finance Minister to consider the question of branch banks. We have to-day gone ahead at an enormous rate in establishing branch banks. No bank should have the right, the moment it starts business, to establish branches all over the Dominion for the purpose of gathering in money from the different localities and sending it to the head office. Should this system continue, we shall have what occurred in the United States and was there subsequently prevented, namely, an enormous monopoly in the hands of two or three banks. Limit the number of branches of a bank according to its capital. If it has \$14,000,000 paid up capital, give it the right to have more branches than a bank which has a capital of perhaps half a million or a million dollars. I do not think it is good policy in this country to have these branch banks spread out all over the Dominion. What occurs under it? Take a small bank to-day—and our small banks are doing good work; I know of small banks in my own community which are giving greater assistance to the people there than the larger institutions—and what occurs? The moment a small bank starts a branch out in a village the big bank puts in a competing branch to prevent the other doing business. There should be a limitation put on the number of branch banks.

There is another suggestion I would make. Our banks are tying up millions of dollars in real estate—in brick and mortar. That is not done in any other country. Take the banking laws of the United States and of every other country under the sun except ours, and you will find that there the banks are looked upon as public utilities for the purpose of taking care of the small savings of the people and distributing them in loans for commercial and business purposes. In the United States for forty-three years they have prevented their banks from tying up their assets in real estate. They have a very stringent provision with regard to investments by banks in real estate. That provision is this:

A National Banking Association may purchase, hold and have real estate for the fol-