

Bank Act

the recommendations that near banks be brought under federal legislation. I believe this is a mistake. The minister indicated he was in agreement with the suggestion that, under certain conditions, agencies of foreign banks should be allowed to operate in Canada and, as he put it, he wanted time to study this aspect further. Perhaps that is another delaying action in respect of this very important matter relating to the operation of foreign banks in Canada. This important matter should not have been left up in the air as it is now.

Regardless of the evidence we heard to the effect that as long as a borrower agreed to an effective interest rate higher than 6 per cent, which is presently the ceiling in vogue, such an interest rate was legal, and in spite of the legal rulings we have heard, I have always had some doubt about the legality of charging an effective interest rate of more than 6 per cent, as has been the case in respect of consumer loans.

In 1954 the then Canadian Bank of Commerce was the only bank engaged in the consumer loans field. Representatives of that bank gave evidence to a committee at that time to the effect that it had received legal opinions which indicated the bank was within its rights to charge higher interest rates. At that time none of the other banks had seen fit to enter this field and, if my recollection is correct, they did not do so primarily because they felt it was illegal. Since then the act has not been changed, yet all of the banks are now operating in this field, making loans at an effective rate higher than the 6 per cent ceiling. I have had some personal doubt about the legality of this practice.

Regulations under the new act will stipulate that all charges in future must be shown as a percentage of the loan. I think the minister has agreed that these regulations should be studied by the committee before coming into force. I am in agreement with his suggestion that this is the proper thing to do.

At this time I do not intend to say anything concerning clause 75 of the bill in respect of the Mercantile Bank. There have been rumours and news stories concerning cabinet rifts and differences of opinion between the present and previous ministers of finance in this regard. I assume we will have to wait until we reach consideration of this clause to find out whether or not the present minister will make some further proposals.

It is not my intention to say very much about a higher interest ceiling or the removal

of the ceiling. We will have ample opportunity to talk about that when we reach a consideration of the specific clauses. Let me point out at this time that the maximum of 6 per cent has become the minimum. I have some apprehension in this regard when I think of the possible increase in that ceiling. An increase from 6 per cent to 7½ per cent will mean an increase of approximately 20 per cent. This will only result in a further stimulus to the high cost of living, about which this government has done so little. We will no doubt hear a great deal about this matter of interest rates before we conclude our consideration of Bill C-222.

● (5:00 p.m.)

There are many other aspects to this bill and I am sure other members will discuss them in a general way when we reach certain clauses. No doubt a more detailed study will be made. Let me simply say at this time that hon. members would be well advised to study the recommendations of the twenty second report of the committee. There is a paragraph concerning agencies, and another recommendation to the effect that the Canadian Bankers Association Act be amended to permit those financial institutions who presently have access to the clearing system only through the intermediary of a chartered bank to participate directly in the system on an equitable basis. Then there are three recommendations concerning I suppose you might say housekeeping items, supporting services in not only the standing committee on finance, trade and economic affairs but other standing committees. I believe that these recommendations should be given serious consideration.

I think that is all I wish to say at this moment, Mr. Chairman. I know the minister has been anxious to get at this committee of the whole house stage. We are now at it, and I am hoping that as we continue and question the minister on the clauses of the bill he will be in a position to give us, and will be happy to give us every possible explanation.

Mr. Cameron (Nanaimo-Cowichan-The Islands): Mr. Chairman, as the minister has said, this is, we hope, the tail end of a very long and arduous journey. At the outset, sir, I should like to make one comment which I think should be made. If, as the minister has said, this has been as unusually effective committee, I think it is in no small measure due to the capacity of the chairman, and I should like at this time to record my very deep