

Private Members' Business

This is what I refer to as the reverse Robin Hood theory, robbing from the poor and giving to the rich. In effect, the grace period is a marketing device to get people to hold and use credit cards.

Under Bill C-233 the simple distinction between the charge and credit functions of a card would be altered. Hence, the part of a purchase that is paid on the due date, the so-called partial payment, would be treated as a delayed cash payment while the remaining balance would be treated as a loan and would be the only part to bear interest.

The card holder would in effect have a grace period from the date of purchase to the date of partial payment. For example, you make a \$1,000 purchase on your credit card and after receiving your statement you pay \$700.

• (1810)

Your next statement would show interest charges on the remaining \$300 from the first statement date to the second statement date. You would not be charged interest on the \$700 payment as is currently done by financial institutions.

[Translation]

We are talking about responsibility and fairness here. It is clear that people who accumulate debts on their credit card must take their responsibilities. However, we should not forget that it is not in the interest of credit-card companies that monthly bills be paid in full. They only take advantage of people who, for one reason or another, can make only partial payments.

As we have seen in the case of banks' cards, partial payments do not reduce the amount on which interest is calculated and, in the case of retailers' cards, interest rates are outrageous.

Organizations such as the Association coopérative d'économie familiale and the Service d'aide au consommateur in Shawinigan deal with hundreds of people who are heavily in debt. They find that it is too simple to obtain a card or to have the credit limit increased and that credit-card companies do not care about the social effects of credit that is too easily obtainable.

In March, the Service d'aide au consommateur in Shawinigan released a study entitled: "Credit cards—Problems for consumers, profits for credit-card companies" which stated, and I quote: "Credit-card companies, being mostly concerned about their profits, have often overlooked the serious effects that credit cards could have on the consumer's life".

[English]

Some people feel that Parliament should not legislate the credit card industry if people freely choose to enter into this type of contract. The problem is that this is not a free contract where you can negotiate the terms of the agreement such as a regular bank loan. You either accept the terms offered by the credit card

issuer or you do not get a card. For people who are well off, opting not to play by the rules imposed by the credit card issuer is an option. Unfortunately there are many consumers who depend on short term credit to conduct their daily lives in an orderly and efficient way.

The work force is changing and more and more people are becoming self-employed. They do not always have the advantage of receiving a pay cheque every two weeks. In this situation, a credit card becomes essential.

I am always quickly reminded that Canadian banks are not public institutions even though they fulfil a public purpose. The fact remains that Canadian banks are in a very privileged and an enormously powerful situation in Canada. True competition in an oligopolistic market is questionable.

The minority report in 1992 accurately described our peculiar free market arrangement: "Evidence has amply proven that the credit card interest rates and bank service charges in Canada do not respond to the market system but to oligopolistic forces and that oligopolistic forces are by their very own nature, political and therefore only respond to public pressure".

Many people feel that Canadian banks do have a responsibility to be more responsive on issues such as credit card rates, farm loans and small business loans precisely because for the special status they hold in our marketplace.

[Translation]

We must realize that credit-card companies have absolutely not taken into account the many aspects that I have just mentioned. Therefore, I think that the time has come to put some order in the credit-card industry. Bill C-233 is undoubtedly a step in the right direction.

[English]

I have in my possession a legal opinion from the legislative counsel of the House of Commons stating that the Government of Canada has jurisdiction to enact the regulations sought in this bill.

In conclusion I would like to thank the many organizations that have assisted me in this very complicated matter. A special thanks to my colleagues in the House and to my constituents who have supported this bill. I hope that our concerns will be addressed soon.

[Translation]

Mr. Yves Rocheleau (Trois-Rivières): Madam Speaker, as industry critic, I am pleased to address this bill. First, I would like to congratulate the hon. member for Simcoe North for introducing Bill C-233, an act to provide for the limitation of interest rates, of the application of interest and of fees in relation to credit card accounts.