

25. In the Report of the Royal Commission on Banking and Finance the statement is made that there is a strong case for disclosure in both forms (dollars and effective rate of interest) and that consumers could hardly suffer from having more information. We do not share this opinion and feel that disclosure of the total finance charge in dollars is not only necessary and sufficient, but superior to dollar disclosure plus rate disclosure in any form. When a statement of charges in the rate form is added to the dollar form, consumers face two measures of value, one expressed in dollars and the other in a percentage of its equivalent. A dual pricing system would hinder, rather than help, consumers' credit decisions. It fosters trickery and deception and is, therefore, opposed by this Council. Legislation enforcing interest rate disclosure would be a dis-service to the Canadian consumer.

26. Some of the witnesses who have appeared before your Committee have expressed concern over the difficulties which can accompany an excessive use of consumer credit. The studies conducted by this Council for the Royal Commission on Banking and Finance suggest that only a small percentage of all sales Finance transactions become delinquent, and settlement is generally accomplished with one or two reminders on the part of the sales finance company. Only a small fraction of these delinquent accounts ever reach the stage where legal measures, such as repossession, become necessary. In its 1964 Report, the Royal Commission on Banking and Finance made the following comment with regard to this issue:

Our studies indicate that by and large Canadians manage their finances with greater wisdom than appears to be popularly believed. Most households appear to have a reasonable pattern of assets in relation to their family needs, income and risk-taking ability. Most, too, have made sensible use of instalment and other credit to acquire physical assets that yield them high returns, not only in financial terms, but in terms of convenience and ease of household living. (Page 31)

27. The Council is convinced that education in the proper use of consumer credit is an important function of this industry. In this area, the Council and its members co-operate with high schools, universities, newspapers, radio, television, and Better Business Bureaus throughout the country. Each year several thousand booklets are distributed. These publications explain the different types of credit available and prescribe a few simple and safe rules. By following these rules, the vast majority of Canadians avoid difficulty and regularly enjoy the important benefits which accompany intelligent and reasonable use of consumer credit. An example of the co-operation referred to above occurred recently in Toronto, where the Better Business Bureau distributed 6,000 copies of a poster advocating and endorsing the Council's "Wise Use of Credit" rules. This poster was displayed on employee notice boards throughout the metropolitan area.

28. The Federated Council also believes that study and research in consumer credit should be expanded in Canada. In comparison with the United States, for example, very little research has been undertaken at the university level and very few Canadian economists have concerned themselves with this subject. In an effort to stimulate independent study at Canadian universities, the Council has established an annual competition with prizes for the best undergraduate and graduate essays and theses dealing with consumer credit.

29. During previous meetings of your Committee, reference has been made to the degree of foreign ownership of the sales finance industry. The question of foreign ownership and control in the Canadian sales finance industry should be examined at two levels:

(a) As a purely structural characteristic, and