

*Pioneer Trust*

that the owners of those trust companies were participating in some rather incestuous transactions with the depositors' money. Some 10,991 apartments were involved in one group of transactions with the Cadillac-Fairview Company. We remember the effect that had on confidence in our financial institutions.

I had the privilege of being the consumer and corporate affairs critic of the Official Opposition at Queen's Park at the time. Needless to say it kept a number of us busy for quite a long time trying to unravel the mystery which surrounded the way these companies did business. Needless to say, officials are still trying to sort out what happened some two or three years ago. I recall that it was during the debate involving those three companies that the Canada Deposit Insurance guarantees were raised from \$20,000 to the \$60,000 in force today. That was done by the previous federal Liberal Government.

There are still quite a few issues which we as legislators do not have all the answers to. If we go back to some of the previous failures and the effect they had on investors in this country, we can see that every time these institutions failed, they left a very sad legacy behind. I want to recall the failure of Astra and ReMor, and one particular case involving a farmer who lived in the Brampton area of Ontario. This investor had sold his farm and, like many people, invested the money in what he considered a safe investment. You will recall that some financial institutions in the late 1970s were involved in the selling of investment certificates in organizations that were not really insured as they should have been. In some cases people would walk into the trust company to buy an investment certificate and were promptly offered a certificate in a mortgage company which operated out of the same office, in many cases having the same principals, but not having the same kind of insurance. When investors walked into the trust company the person at the counter would say they could have one of these investments and they would get one quarter of 1 per cent more interest. The customer would ask if this was just as good as the other one, and they were always assured there was nothing wrong with these certificates. They were as good as the Rock of Gibraltar. You could invest in these certificates and make more money. Of course, a retired person is always interested in putting the proceeds of the sale of his farm or small business into something that will give him the best benefit. That is only normal. But people were often taken in this way.

The particular case of the farmer I mentioned a while ago involved a large amount of money, perhaps in the order of \$500,000, which was deposited in this particular way. After the failure of that trust and mortgage company, the farmer was left with perhaps \$100,000. When he went to reinvest whatever he had salvaged from the previous failures, he got supposedly sound financial advice and was told the best thing he could buy is preferred shares in Crown Trust. Crown Trust, of course, was the most stable financial institution, so he was told, and he just could not go wrong with buying preferred shares. It was much better than buying GICs. In any case, the amount he had to invest was still larger than the then loss

guarantee of \$20,000. So this individual bought the preferred shares in Crown Trust. When I met this gentleman in my office at Queen's Park he was drawing welfare, his shoes were tied with bailer twine, and I am sure he did not have a cent to his name. He had done nothing wrong. He had not invested his money in weird and unusual schemes. He had every time gone to what was supposed to have been stable financial institutions, and put his money there. But he got burned, not once but twice, and was left with nothing.

I cannot help but feel the same kind of thing for people who not only bought GICs, but those who bought such things as preferred shares in the Pioneer Trust Company and other financial institutions which have had some difficulty lately. That is a large number of people and we sometimes forget about them. Perhaps some people in this House will say that when you buy shares in a company, you are really gambling in a way; you are investing in the stock market and you have to expect that perhaps you will not always be a winner. When you buy preferred shares in a so-called reputable financial institution, the distinction is not always that clear. I am sure there are many people who own preferred shares or other forms of investment in trust companies and other institutions that are insured by the Canada Deposit Insurance Corporation who are of the belief that those are insured deposits.

● (1210)

**An Hon. Member:** They shouldn't be.

**Mr. Boudria:** I hear an Hon. Member across the way saying that they shouldn't be. There are many things which lead to that kind of confusion. For example, the CDIC logo is right on the door of those institutions. Therefore, why would one not believe that an investment in that particular financial institution, in whatever way, shape, or form, is indeed a guaranteed investment? However, we know that that is not the case. We know that preferred shares are not insured. That distinction is not always easy to make.

In my view, Mr. Speaker, there must be a mechanism through which the consumers would be alerted far more efficiently than they are now. We must tell them what is and what is not insured with regard to investments in those financial institutions. As I said previously, the reputation of the institution is not at stake. As an example, we were led to believe that Crown Trust was one of the most solid institutions in the country and it went down. Actually, it did not quite go down, Mr. Speaker. It was seized by the Province of Ontario, but the net effect was the same. The property of the owners of those shares was expropriated without compensation. The preferred and common shareholders have still not received anything from that company.

A little earlier this year the Auditor General told us that the eventual losses in the case of Crown, Seaway, and Greymac would be in the order of \$500 million to the Canada Deposit Insurance Corporation Fund. We also know of people who lost money through investments in preferred shares which were not insured. Many people were deceived by a system which did not