

## Lifting the veil of bank service charge secrecy

by Ann M. Smith

If you've ever had a "get even" fantasy involving the seemingly indestructible Canadian banking community, wait no longer. Bankers in this country are ripe for the picking.

The fuss began earlier this year when the powerful House of Commons finance committee decided to begin a serious probe into the way banks levy service charges on their customers. It didn't take long for the committee to concur with popular belief that, yes, there is sufficient evidence pointing to possible Bank Act violations by a number of these institutions.

The report also found that customer service charges have been rising by roughly four times the rate of inflation. It doesn't say whether these increases are justified, but does acknowledge that the current situation makes it impossible for consumers to gain proper information on prices for comparative shopping.

Finance committee chairman Don Blenkarn said the MPs are determined to learn how the banks

justify these exorbitant increases on service charges while other consumer prices and costs have remained relatively stable. The average 17 per cent annual rate hike, he said, is deeply disturbing. During the same period, the average growth of the consumer price index was just 4.5 per cent while the annual growth of non-interest expenses at the Big Five (the Royal Bank, Bank of Montreal, Canadian Imperial Bank of Commerce, Bank of Nova Scotia and Toronto Dominion Bank) was only 6.7 per cent during 1982-87.

Blenkarn's committee will try and implement changes to force the banks into putting their cards on the table. Few Canadians are aware of, for example:

- A 154 per cent increase on all bounced cheques — from \$5.50 in 1982 to \$14 in 1987.
- A 60 per cent increase over two years to cover an overdraft charge — from \$2.50 in 1984 to \$4 last year. In 1982-83, this service was provided free of charge.
- A 70 per cent increase in the

cost of renewing a mortgage — from \$50 to \$85.

And the list goes on. The banks claim that these increases reflect a wider array of services now offered to the customer. Critics, however, vehemently disagree.

In fact, many MPs and consumer groups blame the banks for digging themselves into this huge hole by making too many risky Third World loans in the early 1980's. It isn't right, they say, that the customer should now have to pay for these mistakes.

Like it or not, the banks have finally started to listen. The Royal admitted that some service charges have caught consumers by surprise and says it will begin publishing a locked fee schedule for its 6.5 million Canadian customers each year. And the Bank of Montreal has decided to reduce savings account service charges for customers of "Modest means." Many would say it's the least they can do.

Regardless of the finance com-

mittee's final report, however, the banking community will now have to devote much more of its time trying to woo the Canadian con-

sumer. And with some help from government, it's ultimately the customer — not the banks — that should hold the heavy upper hand.

## First Canadian built Civic

ALLISTON, Ont., April 7 — The first Honda Civic Hatchback produced at the Honda of Canada Mfg., Inc. plant at Alliston, Ont., was driven off the line today in a brief ceremony.

The car, a white Special Edition model, was brought off the production line by Hiroshi Hayano, President of Honda of Canada Mfg., Inc. and Ross Robinson, Senior Vice President Automobile Sales, of Honda of Canada Inc., which distributes Honda products in the Canadian market. Also participating in the ceremony was Shoichiro Irimajiri, President of Honda of America Mfg. of Marysville, Ohio.

The Civic Hatchback is being built on the same production line as the Honda Accord model, which has been produced at the Canadian plant since it became operational in November of 1986. As the only manufacturing facility of Civic

Hatchbacks in North America, the Canadian plant will be supplying this model to Honda dealers in both Canada and the U.S., according to Hayano.

The Canadian manufacturing facility is scheduled to produce about 50,000 cars — both Civic and Accord models — this year. That total is expected to increase to 80,000 units in 1989 on a two-shift basis. The total workforce at the plant will reach about 800 once it is in full production.

Built on a 181.2-hectare (450-acre) site, the state-of-the-art Honda plant covers 83,000 square metres (900,000 square feet). Since the plant was opened, a hemming operation has been added to finish the doors, tailgate and hood of the Civic Hatchback model, and a stamping facility is now under construction as well.

### NO VALUE FOR MONEY Major chartered banks' performance

Canadian Imperial Bank of Commerce	88.7%
Bank of Nova Scotia	87.7%
Bank of Montreal	86.9%
Toronto Dominion Bank	85.6%
Royal Bank of Canada	84.5%
National Bank of Canada	77.6%

Percentage of small business respondents who felt the increase in service costs did not reflect a comparable increase in the amount of services received.



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