

Sales financing and consumer credit

18.1.2

Sales financing. Ancillary to the retailing industry are the financial institutions which facilitate consumer instalment purchases, particularly of the more expensive variety of consumer durables such as automobiles and household appliances. Separate statistics have for many years been maintained by Statistics Canada on the retail instalment financing undertaken by the sales finance industry, especially their participation in the financing of automobile purchases. The firms classified to this industry include independent sales finance companies, the sales finance company subsidiaries of car, truck and farm implement manufacturers, and the sales financing business of consumer loan companies.

Not reported in these statistics are the instalment sales financing done by acceptance companies which are the subsidiaries of, or which are associated exclusively with, large retailing organizations. The sales financing activity of these companies is regarded as an extension of the merchandising function, and their statistics are included with the accounts receivable reported by department stores and other retail merchandising establishments. At year-end 1975 about a dozen such acceptance companies reported accounts receivable of \$1,263.5 million for purchases of consumer goods through their associated retail outlets.

By year-end 1975 the sales finance industry, as delineated above, held outstanding balances of \$3,236 million covering the retail instalment financing of both consumer goods (\$1,156 million) and commercial and industrial goods (\$2,080 million) (Table 18.12). During the course of the year, the industry augmented its purchases of new finance paper by \$2,602 million, \$1,041 of consumer goods' paper and \$1,560 million of commercial and industrial finance paper.

Since 1970 the composition of the portfolios of sales finance companies has shifted from a preponderance of consumer goods paper to a marked emphasis on commercial and industrial goods financing (from 46% of the total in 1970 to 60% in 1975). The sales finance companies are still active in the financing of passenger car sales with balances of \$1,276 million at year-end 1975. This figure includes balances outstanding on new passenger cars acquired for business use such as taxis and commercial fleets. In Table 18.12, these are shown as "commercial vehicles". The banks, however, which have increased their share over the years, now hold balances of \$3,705 million.

Consumer credit. Consumer credit arises through an advance of cash, or value received as goods or services, or through use of credit cards, by firms extending such credit to individuals for non-commercial purposes in exchange for a promise to pay at a later date — generally by instalments which include interest and other finance charges. These statistics on consumer indebtedness exclude fully secured loans, home-improvement loans and long-term indebtedness such as residential mortgages. Statistics are not available on certain other forms of consumer credit such as interpersonal loans, bills owed to dentists and other professional practitioners, to clubs or other personal service establishments. In March 1970 a Statistics Canada survey showed that consumer credit accounted for 24% of all personal indebtedness, residential mortgages for 68% and other miscellaneous debt accounted for the remaining 8% (Catalogue No. 13-547).

The Merchandising and Services Division of Statistics Canada maintains a consolidated statistical series on consumer credit extended to Canadians by selected financial institutions and other holders of these balances. The component statistics of these national estimates are supplied by the Bank of Canada, the Superintendent of Insurance, as well as by this and other divisions of Statistics Canada. Data are available only at the national level for most series except the chartered banks, for which provincial data are published in the Bank of Canada's *Monthly Review*.

At the end of 1975, the total amount of consumer credit outstanding in Canada reached \$23,769 million, a net increase during the year, after repayments