

that it could be liable to the ultimate customer, it would be very concerned about the reliability and honesty of the businessman or contractor whose installment sales it was financing. This author can testify, from personal experience with businessmen who were affected by this law, that it actually had the intended effect—banks became much more careful about the integrity of the businessmen whose installment paper they purchased.

The interconnected nature of this tripartite transaction is clearer from the way the British system of hire-purchase works.

Instead of the trader giving credit to the customer he sells the goods to the finance company and thus obtains his price in cash. The finance house then hires the goods to the customer and derives the profits and expenses from the difference between the cash price, less the deposit, paid to the trader and the total of the installments received from the customer.²⁸

The English have thus been wrestling with essentially the same problem from a different angle, created by the different historical development taken by English law. As seen above, the dealer is not considered the owner of the goods purchased on installment plans by a customer, because the dealer has executed a contract of sale to a finance company. However, the finance company has not been considered liable for any defects in the goods. These were serious gaps in the protection of English purchasers on the installment plan. Some have suggested a law making the dealer the agent of the finance company, but even this may not be enough.²⁹

IV. RATES AND CEILINGS

The two previous sections have treated the nature of consumer credit and some required conditions that the government must establish as the framework within which the consumer-credit market must function. Essentially these conditions encompass full disclosure of information to buyers, freedom of buyers from fraud, deceit, or coercion, and the prevention of monopolistic or restrictive trade practices by the credit industry. This latter goal, of course, can only be achieved by vigorous enforcement of all the antitrust laws.

It is hard to imagine how the consumer-credit market might have developed in the absence of government regulation. Historical and economic factors made it necessary to have state regulation of the small loan business. Restrictions on charges for extensions of credit

²⁸ Final Report of the Committee on Consumer Protection, Stat. Instr., 1962, No. 505, at 166.

²⁹ See generally Borrie & Diamond, *The Consumer, Society and the Law* (1964).