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Loans from Financial Institutions to Main Federal Political Parties for 2019 and 2021 Federal Elections

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Under the Canadian federal election law, loans to parties, election candidates, riding associations and party leadership contestants are only allowed from registered Canadian financial institutions and individuals who are citizens or permanent residents of Canada. The outstanding amount of a loan from an individual cannot exceed an individual's annual donation limit when combined with any other donations made by that individual.¹

However, banks and other federally regulated financial institutions are allowed to loan an unlimited amount of money to riding associations, candidates, contestants, and political parties. This is one of the most unethical and inequitable aspects of Canada's system as usually every party has a bank loan to finance its election campaign (as well as some candidates), which then puts every MP in a conflict of interest after the election when they are addressing proposals concerning financial institution and financial services issues.² It is true that financial institutions are required to charge only a fair market rate of interest for such loans. However, the institution is still doing a favour by providing the loan, as well as building a relationship with the contestant, electoral district association (EDA), party or candidate that can, without very careful scrutiny, allow for other favours to be done

¹ *Canada Elections Act (CEA)*, subsections 373(3) and (4).

² *CEA*, subsection 373(3).

by the institution – favours that can, over time, amount to undue influence. For example, a relatively easy way for a financial institution (or an individual lender) to do a relatively secret favour for a candidate, association or party is to extend the loan payment schedule (in effect extending the time before which the institution considers the loan to be an uncollectable debt)³ which gives more time to raise the funds to pay the loan amount. Given this, loans should also be limited to \$75 annually.

As can be seen in Chart 1 below, according to financial returns submitted by the parties to Elections Canada for the election and the calendar year 2015, during which a general federal election was held, and in 2019 when again an election was held, all of the federal parties obtained significant loans from financial institutions to pay for their election campaigns, from 32 percent to more than 100 percent of the amount spent.

Chart 1: Amounts Spent, and Loans to, Main Federal Political Parties in the 2015 and 2019 Election Years⁴

	Liberal	Conservative	Bloc	NDP	Green
Amount spent by party in 2015 election	\$43.12 million	\$41.87 million	\$2.67 million	\$29.76 million	\$3.91 million
Loan(s) from Financial Institutions in 2015 (% of total election expenses)	\$40 million (93%)	\$28.5 million (68%)	\$0.995 million (37%)	\$22 million (74%)	\$1.66 million ⁵ (32%)

³ CEA, *supra* note 79, see the consequences of uncollectable debts in section 477.6.

⁴ Elections Canada, Financial Returns, *supra* note 293. Elections Canada, Statements of Assets and Liabilities and Statements of Revenues and Expenses, online: <<https://www.elections.ca/content.aspx?section=fin&document=index&dir=oth/pol/asset&lang=e>>. Figures are rounded to nearest \$10,000.

⁵ \$1.25 million of the \$1.66 million was a bank loan. The remaining amounts were “unsecured private loans” from unspecified sources in amounts of \$5,000 up to \$50,000.

Amount spent by party in 2019 election	\$26.16 million	\$28.86 million	\$814,732	\$10.31 million	\$2.45 million
Loan(s) from Financial Institutions in 2019 (% of total election expenses)	\$27.4 million (>100%)	\$23 million (80%)	\$400,000 (49%)	\$7 million (68%)	\$1.5 million (61%)

Given that the banks providing the loans are regulated by the federal government, this rule allows them to extend a favour to candidates and parties that the bank favours, namely those that support the bank's position on laws that regulate the bank's activities. It also creates the very real possibility of a candidate or party not being able to repay the loan after the election and, therefore, getting away with spending more than it actually had in popular support. This has happened at the federal level with party leadership candidates in both the Liberal and Conservative parties, and with election candidates, causing enforcement and penalty dilemmas in each case.⁶

⁶ Canadian Press, "Liberals won't face courts over 2006 leadership loans," July 30, 2013, CBC.ca, online: <https://www.cbc.ca/news/politics/liberals-won-t-face-courts-over-2006-leadership-loans-1.1394561>. John Paul Tasker, Vassy Kapelos, "Kevin O'Leary suing Elections Canada over fundraising limits," November 14, 2018, CBC.ca, online: <https://www.cbc.ca/news/politics/powerandpolitics/pnp-tasker-oleary-suing-elections-canada-1.4905684>. Nick Boisvert, "Peter MacKay still owes nearly \$300k for failed 2020 Tory leadership run," April 28, 2022, CBC.ca, online: <http://www.cbc.ca/news/politics/peter-mackay-fundraising-update-1.6434319>.