



COVERSHEET

Minister	Hon Dr David Clark	Portfolio	Commerce and Consumer Affairs
Title of Cabinet paper	Consumer Credit Reforms: Annual Returns and Transitional Arrangements	Date to be published	24 August 2021

List of documents that have been proactively released

Date	Title	Author
July 2021	Consumer Credit Reforms: Annual Returns and Transitional Arrangements	Office of the Minister of Commerce and Consumer Affairs
7 July 2021	Consumer Credit Reforms: Annual Returns and Transitional Arrangements DEV-21-MIN-0154 Minute	Cabinet Office

Information redacted

NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Consumer Credit Reforms: Annual Returns and Transitional Arrangements

Portfolio Commerce and Consumer Affairs

On 7 July 2021, the Cabinet Economic Development Committee:

Annual returns

- 1 **noted** that the Credit Contracts Legislation Amendment Act 2019 (Amendment Act) requires creditors under consumer credit contracts to provide annual returns to the Commerce Commission in the prescribed manner;
- 2 **agreed** that the annual returns include the following information:
 - 2.1 the number of consumer credit contracts entered into;
 - 2.2 the number of material changes to consumer credit contracts;
 - 2.3 the number of high-cost consumer credit contracts and related consumer credit contracts entered into;
 - 2.4 for each type of credit contract or change to a credit contract, described above, the total dollar amount to be advanced, or total credit limit, as applicable;
 - 2.5 for each type of credit contract or change to a credit contract, described above, the number of times that the creditor has relied on each exception from the need to carry out detailed inquiries into the borrower's income and expenses;
- 3 **agreed** that annual returns be provided to the Commerce Commission by 30 June and relate to the 12 month period from the previous financial year (i.e. 1 April to 31 March);
- 4 **agreed** that the due date for the first annual return is 30 June 2024;

Transitional arrangements

- 5 **noted** that the Amendment Act requires creditors to carry out prescribed inquiries to determine the affordability and suitability of consumer credit contracts from 1 October 2021;
- 6 **noted** that in some situations, creditors carry out inquiries into affordability and suitability several weeks prior to entering into a consumer credit contract;

- 7 **agreed** to amend the Credit Contracts and Consumer Finance (Lender Inquiries into Suitability and Affordability) Amendment Regulations 2020 so that a creditor is not required to carry out full inquiries into affordability and suitability if the creditor has substantially completed inquiries prior to 1 October 2021 and is satisfied before 1 October 2021 that it is likely that:
- 7.1 the credit or finance provided under the agreement will meet the borrower's requirement and objectives; and
- 7.2 the borrower will make the payments under the agreement without suffering substantial hardship;
- 8 **agreed** that the creditors will only be able to rely on earlier inquiries for contracts entered into before 1 April 2022;

Legislative implications

- 9 **invited** the Minister of Commerce and Consumer Affairs to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above paragraphs;
- 10 **authorised** the Minister of Commerce and Consumer Affairs to make additional policy decisions and minor or technical changes to the above policy decisions, consistent with the general policy intent, on issues that arise in drafting.

Janine Harvey
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon Dr Megan Woods
Hon David Parker
Hon Poto Williams
Hon Damien O'Connor (via zoom)
Hon Stuart Nash
Hon Michael Wood
Hon Dr David Clark
Hon Dr Ayesha Verrall
Hon Phil Twyford
Hon Meka Whaitiri
Rino Tirikatene MP
Dr Deborah Russell MP

Officials present from:

Office of the Prime Minister
Officials Committee for DEV