



## COVERSHEET

<b>Minister</b>	Hon Dr David Clark	<b>Portfolio</b>	Commerce and Consumer Affairs
<b>Title of Cabinet paper</b>	<b>Credit Contracts and Consumer Finance Amendment Regulations 2022</b>	<b>Date to be published</b>	18 July 2022

<b>List of documents that have been proactively released</b>		
<b>Date</b>	<b>Title</b>	<b>Author</b>
June 2022	<i>Credit Contracts and Consumer Finance Amendment Regulations 2022</i>	<i>Office of the Minister of Commerce and Consumer Affairs</i>
2 June 2022	<i>Credit Contracts and Consumer Finance Amendment Regulations 2022</i> <i>LEG-22-MIN-0087 Minute</i>	<i>Cabinet Office</i>

### **Information redacted**

**YES / NO**

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# Cabinet Legislation Committee

## Minute of Decision

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### Credit Contracts and Consumer Finance Amendment Regulations 2022

**Portfolio** Commerce and Consumer Affairs

On 2 June 2022, the Cabinet Legislation Committee:

#### Background

- 1 **noted** that, in January 2022, the Minister of Commerce and Consumer Affairs initiated an investigation into the impacts of the parts of the Credit Contracts Legislation Amendment Act 2019 and Credit Contracts and Consumer Finance (Lender Inquiries into Suitability and Affordability) Amendment Regulations 2020 that came into force on 1 December 2021;
- 2 **noted** that in February 2022, the Cabinet Business Committee agreed to amend the Credit Contracts and Consumer Finance Regulations 2004 (the Regulations) and the Responsible Lending Code (the Code) to address some of the specific issues identified as follows:

#### **Initial proposals to address specific issues related to scope and treatment of expenses**

- 2.1 amend the Regulations to exclude savings and investments from the definition of the listed outgoings;
- 2.2 amend the Regulations and the Code to:
  - 2.2.1 clarify that when lenders ask borrowers about their likely living expenses, and these are benchmarked against statistical data about household expenses, there is no need to inquire into their current living expenses from recent bank transactions;
  - 2.2.2 clarify that when lenders estimate expenses from recent bank transaction records, lenders can ask the borrower about how expenses are likely to change once the contract is entered into; and
  - 2.2.3 clarify the requirement to obtain information in sufficient detail to minimise underestimation only relates to information received from borrowers (e.g. ensuring that expense categories on application forms are sufficiently detailed) rather than relating to information from bank transaction records etc;

**Initial proposals to address specific issues related to surplus, adjustments, and buffers**

- 2.3 amend the Code to further clarify when a ‘reasonable surplus’ is required and how it should be set;

**Initial proposals to address specific issues related to exceptions**

- 2.4 amend the Code to remove the current example for when affordability is ‘obvious’ and consider alternative guidance and examples in consultation with stakeholders;

[CBC-22-MIN-0012]

**The amendment regulations**

- 3 **noted** that the Credit Contracts and Consumer Finance Amendment Regulations 2022 give effect to the policy decisions in paragraphs 2.1 and 2.2.3 above;
- 4 **noted** that the other policy decisions will be given effect to by changes to the Code, which the Minister of Commerce and Consumer Affairs will issue when the Credit Contracts and Consumer Finance Amendment Regulations 2022 are made;
- 5 **authorised** the submission to the Executive Council of the Credit Contracts and Consumer Finance Amendment Regulations 2022 [PCO 24630/3.0];
- 6 **noted** that the Credit Contracts and Consumer Finance Amendment Regulations 2022 will come into force on 7 July 2022;
- 7 **noted** that the changes to the Code will come into effect on 7 July, to coincide with the Credit Contracts and Consumer Finance Amendment Regulations 2022.

Rebecca Davies  
Committee Secretary

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**Present:**

Hon Andrew Little  
Hon David Parker  
Hon Nanaia Mahuta  
Hon Poto Williams  
Hon Kris Faafoi  
Hon Michael Wood (Chair)  
Hon Dr David Clark  
Keiran McAnulty, MP (Senior Government Whip)

**Officials present from:**

Office of the Prime Minister  
Officials Committee for LEG