



## COVERSHEET

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| <b>Minister</b>               | Hon Dr David Clark   | <b>Portfolio</b>            | Commerce and Consumer Affairs |
| <b>Title of Cabinet paper</b> | <b>Impacts of Recent Changes to the Credit Contracts and Consumer Finance Act 2003 – Findings and Options for Further Change</b> | <b>Date to be published</b> | 2 August 2022                 |

| <b>List of documents that have been proactively released</b> |  |  |
|--|--|--|
| <b>Date</b>  | <b>Title</b>   | <b>Author</b>  |
| July 2022  | <i>Cabinet paper – Impacts of Recent Changes to the Credit Contracts and Consumer Finance Act 2003 – Findings and Options for Further Change</i> | <i>Office of the Minister of Commerce and Consumer Affairs</i> |
| 4 July 2022  | <i>Cabinet Minute – Impacts of Recent Changes to the Credit Contracts and Consumer Finance Act 2003</i><br><br><i>CBC-22-MIN-0038</i>            | <i>Cabinet Office</i>  |
| 23 June 2022   | <i>Regulatory Impact Statement – Response to the investigation into 1 December 2021 credit law changes</i>                                       | <i>Ministry of Business, Innovation and Employment</i>         |

### **Information redacted**

**YES**

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.

Some information has been withheld as confidential advice to Government.



# Cabinet Business 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.*

### Impacts of Recent Changes to the Credit Contracts and Consumer Finance Act 2003: Findings and Options for Further Change

**Portfolio** Commerce and Consumer Affairs

On 4 July 2022, the Cabinet Business Committee:

- 1 **noted** that in January 2022, the Minister of Commerce and Consumer Affairs initiated an investigation into changes to the Credit Contracts and Consumer Finance Act 2003 (CCCFA) and associated regulations (the Regulations) that came into force on 1 December 2021 (collectively the CCCFA changes);
- 2 **noted** the investigation found that:
  - 2.1 the CCCFA changes appear to be contributing to a reduction in lending, including home lending, but more significantly to other personal lending (e.g. credit cards, car loans);
  - 2.2 it is too early to tell whether the CCCFA changes will achieve their objectives of addressing irresponsible lending and resulting problem debt, however, some early impacts which have been identified appear to be consistent with the outcomes sought by the changes;
  - 2.3 some unintended consequences resulting from the CCCFA changes have emerged, including:
    - 2.3.1 more borrowers across all lending types who should pass the affordability test are subject to declines of or reductions in credit amount; and
    - 2.3.2 borrowers are subject to unnecessary or disproportionate inquiries that are perceived by them as being intrusive;
- 3 **noted** that the investigation identified a range of further changes to the CCCFA that could be considered to address unintended impacts of the 1 December CCCFA changes:
  - 3.1 Option 1: counterfactual – initial changes agreed by Cabinet in February only;
  - 3.2 Option 2: amend the affordability regulations to better target specific kinds of lending, lenders, or certain consumers where there is a higher underlying risk of substantial hardship;
  - 3.3 Option 3: changes to the design of specific affordability regulations relating to borrower expenses, borrower surplus requirements and exceptions;

- 3.4 Option 4: changes to the penalties and liability regime;
- 3.5 Option 5: repealing the affordability regulations;
- 4 **agreed** to adjust the scope of expenses that need to be estimated by lenders to more explicitly exclude discretionary expenses;
- 5 **agreed** to amend the Regulations to reduce ‘double counting’ of expenses associated with revolving credit contracts such as credit cards and buy-now pay later schemes;
- 6 **agreed** to expand the exception in regulation 4AH to include refinancing of credit contracts that borrowers have with other lenders where this would be in the best interests of the borrower;
- 7 **agreed** not to make changes to further target the scope of the affordability regulations;
- 8 **invited** the Minister of Commerce and Consumer Affairs to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above decisions;
- 9 **authorised** the Minister of Commerce and Consumer Affairs to release an exposure draft of the amendment regulations;
- 10 **authorised** the Minister of Commerce and Consumer Affairs to make decisions on minor or technical matters, consistent with the policy in the paper under CBC-22-SUB-0038, on any issues that arise during drafting or from stakeholder consultation;
- 11 **agreed** to the public release of the final investigation report on the early implementation and impacts of the CCCFA changes.

Rachel Clarke  
Committee Secretary

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**Present:**

Hon Grant Robertson (Chair)  
Hon Kelvin Davis  
Hon Dr Megan Woods  
Hon Chris Hipkins  
Hon Carmel Sepuloni  
Hon Andrew Little  
Hon Nanaia Mahuta  
Hon Kiri Allan  
Hon Michael Wood  
Hon Dr David Clark

**Officials present from:**

Office of the Prime Minister  
Department of the Prime Minister and Cabinet