



COVERSHEET

Minister	Hon Andrew Bayly	Portfolio	Commerce and Consumer Affairs
Title of Cabinet paper	Progressing financial services reform	Date to be published	22 April 2024

List of documents that have been proactively released		
Date	Title	Author
19 March 2024	Progressing financial services reform	Office of Minister of Commerce and Consumer Affairs
19 March 2024	Progressing financial services reform EXP-24-MIN-0010 Minute	Cabinet Office
19 March 2024	Regulatory Impact Statement: Reducing the burden of affordability requirements in consumer credit legislation	MBIE

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 for the reason of matters still under active consideration.



Cabinet Expenditure and Regulatory Review 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.

Progressing Financial Services Reform

Portfolio Commerce and Consumer Affairs

On 19 March 2024, the Cabinet Expenditure and Regulatory Review Committee:

Revoking prescriptive affordability requirements and redundant exemptions

- 1 **agreed** to remove the detailed requirements for assessing the affordability of lending to the borrower from the Credit Contracts and Consumer Finance Regulations 2004 (the Regulations);
- 2 **agreed** to give effect to the decision in paragraph 1 above by revoking the substance of the provisions relating to affordability, other than regulation 4AO, from the Regulations, using section 138 of the Credit Contracts and Consumer Finance Act 2003 (the CCCFA);
- 3 **authorised** the Minister of Commerce and Consumer Affairs (the Minister) to issue drafting instructions to the Parliamentary Counsel Office to give effect to the decision in paragraph 2 above;
- 4 **authorised** the Minister to make additional policy decisions and minor or technical changes to the policy decisions, consistent with the general policy intent, on issues that arise during the drafting process;
- 5 **approved** the release of changes to the Regulations relating to affordability for targeted consultation with affected parties as required by the CCCFA;
- 6 **invited** the Minister to report back to the Cabinet Legislation Committee in May 2024 seeking approval to the amendment regulations;
- 7 **agreed** to revoke redundant exemptions, namely regulation 18D and regulation 18E, created by the Credit Contracts and Consumer Finance (Exemptions for COVID-19) Amendment Regulations 2020 and the Credit Contracts and Consumer Finance (Exemptions for COVID-19) Amendment Regulations (No 2) 2020;
- 8 **authorised** the Minister to issue drafting instructions to the Parliamentary Counsel Office to give effect to the decision in paragraph 7 above;
- 9 **noted** that the Minister intends to issue amendments to the Responsible Lending Code, to facilitate clarity regarding how lenders are expected to comply with section 9C(3)(a)(ii) in the absence of the affordability regulations;

- 10 **noted** that the Minister intends to consult on the changes to the Responsible Lending Code (as required by the CCCFA);
- 11 **approved** the release of changes to the Responsible Lending Code once developed, for targeted consultation with affected parties as required by the CCCFA;

Credit Contracts and Consumer Finance Amendment Regulations 2024

- 12 **noted** that in August 2023, the previous government agreed to:
- 12.1 exempt voluntary targeted rates schemes operated by local authorities from the CCCFA;
- 12.2 extend the exemption that currently exists where lending is done by an entity whose principal business is in the provision of non-financial goods and services from the annual reporting requirements of the CCCFA;

[DEV-23-MIN-0162]

- 13 **noted** that the Credit Contracts and Consumer Finance Amendment Regulations 2024 give effect to the decisions referred to in paragraph 12 above;
- 14 **authorised** the submission to the Executive Council of the Credit Contracts and Consumer Finance Amendment Regulations 2024 [PCO 25928/4.0];
- 15 **noted** that the Credit Contracts and Consumer Finance Amendment Regulations 2024 will come into force on 25 April 2024, which is 28 days after the date of notification in the *New Zealand Gazette*;

Financial Service Providers (Rules for Approved Dispute Resolution Schemes) Regulations 2024

- 16 **noted** that in October 2022, the previous government agreed to make regulations under the Financial Service Providers (Registration and Dispute Resolution) Act 2008 (the Act) to align the rules of financial dispute resolution schemes [DEV-22-MIN-0238];
- 17 **agreed** to:
- 17.1 allow schemes to award compensation above the financial limits set by the regulations (for lump sum and weekly compensation) where both the financial provider and consumer agree;
- 17.2 recommend that Cabinet rescind the decision that all schemes should consider complaints about current members only, regardless of when the alleged misconduct occurred [DEV-22-MIN-0238, paragraph 7];
- 17.3 recommend that Cabinet rescind the decision that a weekly compensation limit of \$1,500 for regular payment products should be set for all schemes [DEV-22-MIN-0238, paragraph 4], and instead agree that a weekly compensation limit of \$2,600 should be set, with schemes able to implement a higher limit via their rules;
- 18 **noted** that the Financial Service Providers (Rules for Approved Dispute Resolution Schemes) Regulations 2024 give effect to the policy decisions referred to in paragraph 16 above as amended by the decisions at paragraph 17 above;

- 19 **authorised** the submission to the Executive Council of the Financial Service Providers (Rules for Approved Dispute Resolution Schemes) Regulations 2024 [PCO 25259/4.0];
- 20 **noted** that the Financial Service Providers (Rules for Approved Dispute Resolution Schemes) Regulations 2024 will come into force on 18 July 2024;

Agree to advance work on a wider package of legislative reform to simplify financial services regulation

- 21 **agreed** to transfer all regulatory functions under the CCCFA from the Commerce Commission to the Financial Markets Authority;
- 22 **agreed** that the scope of phase 2 for further reforms to financial services legislation include:
- 22.1 reforms to relevant legislation that are necessary and desirable to support transfer of responsibility of the CCCFA to the Financial Markets Authority;
 - 22.2 broader reforms to the CCCFA to address known problems and areas of under-performance;
 - 22.3 the CCCFA's high-cost credit provisions, as part of the statutory review required by the CCCFA;
 - 22.4 reforms to the Financial Markets (Conduct of Institutions) Amendment Act 2022 and Financial Markets Conduct Act 2013;
 - 22.5 improving the effectiveness of dispute resolution;
- 23 **invited** the Minister to report back to the Cabinet Economic Policy Committee in May 2024 to seek approval to release discussion documents on the issues outlined in paragraph 22 above;
- 24 **invited** the Minister to report back to the Cabinet Economic Policy Committee in August 2024 to seek policy decisions on the issues outlined in paragraph 22 above;

Financial implications

- 25 **noted** that the Minister of Commerce and Consumer Affairs will recommend fiscally neutral transfers within Vote Business, Science and Innovation for 2025/2026 and outyears to give effect to paragraph 21 above;

- 26 Confidential advice to Government

Sam Moffett
Committee Secretary

Attendance: (see over)

Present:

Rt Hon Christopher Luxon
Rt Hon Winston Peters
Hon David Seymour (Chair)
Hon Nicola Willis
Hon Shane Jones
Hon Chris Bishop
Hon Dr Shane Reti
Hon Simeon Brown
Hon Erica Stanford
Hon Louise Upston
Hon Mark Mitchell
Hon Casey Costello
Hon Simon Watts
Hon Chris Penk
Hon Andrew Bayly
Hon Andrew Hoggard
Hon Mark Patterson

Officials present from:

Office of the Prime Minister
Officials Committee for EXP