

Consumer credit

Research report

March 2024



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Introducing Verian

Verian is the new name for Kantar Public (formerly Colmar Brunton).

Following our divestment from our former parent company, we are now an independent research and evaluation agency, providing evidence and advisory services to government and the public realm, across Aotearoa New Zealand and around the world.

Get in touch if you would like to know more.

Michael Winder



Powering decisions
that shape the world.

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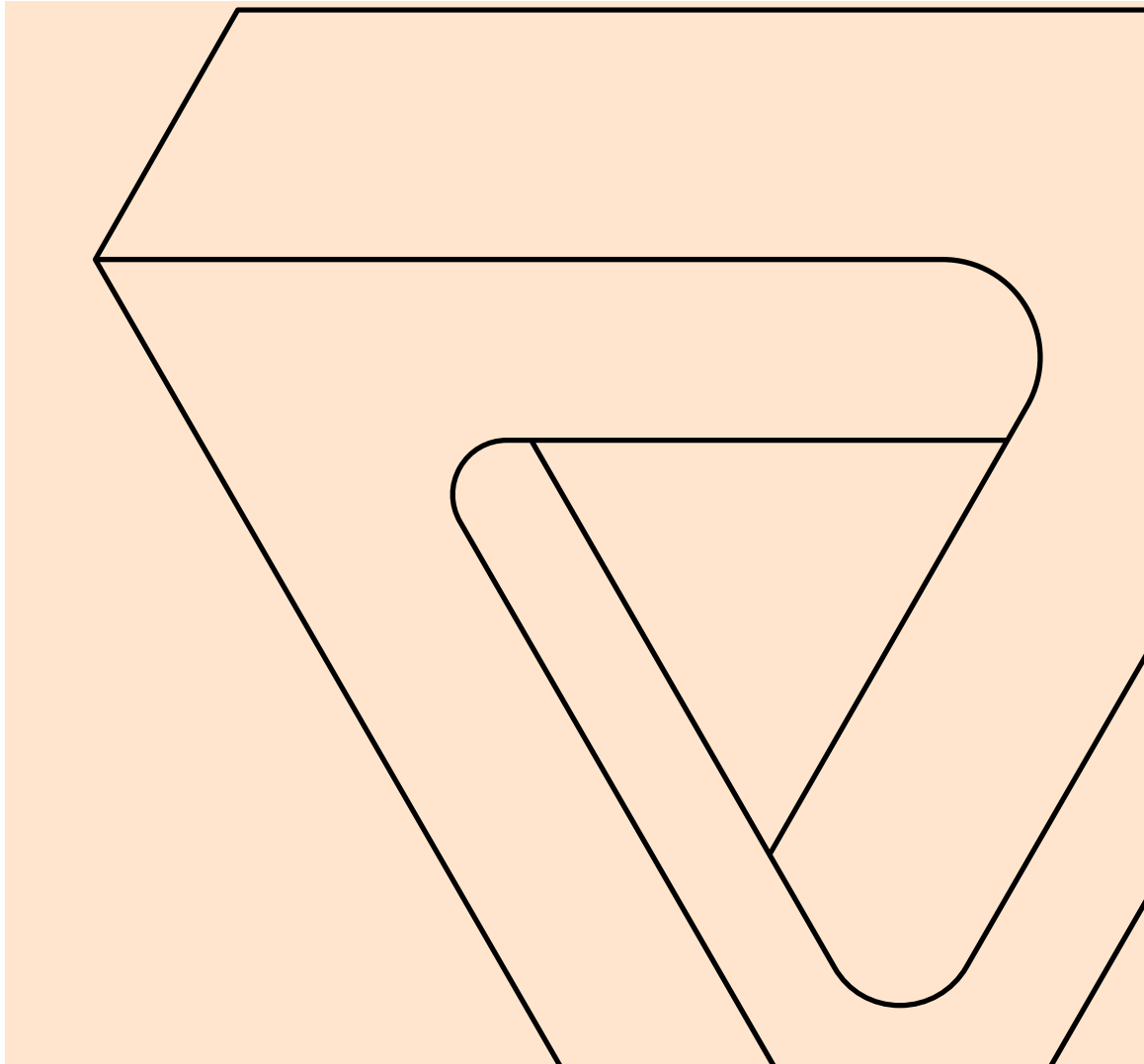
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01

Background



Objectives



In December 2019, the Credit Contracts Legislation Amendment Act was passed, aiming to better protect New Zealanders from debt spirals and predatory lending.

In 2019, MBIE commissioned Verian (formerly Kantar Public/ Colmar Brunton) to undertake research, providing a baseline measure before the law changes came into effect.

Following the initial baseline, a second round of research was conducted in early 2024 (asking New Zealanders about their experience with credit in 2023). The 2024 survey aims to understand how the environment has changed since 2019, with a focus on:

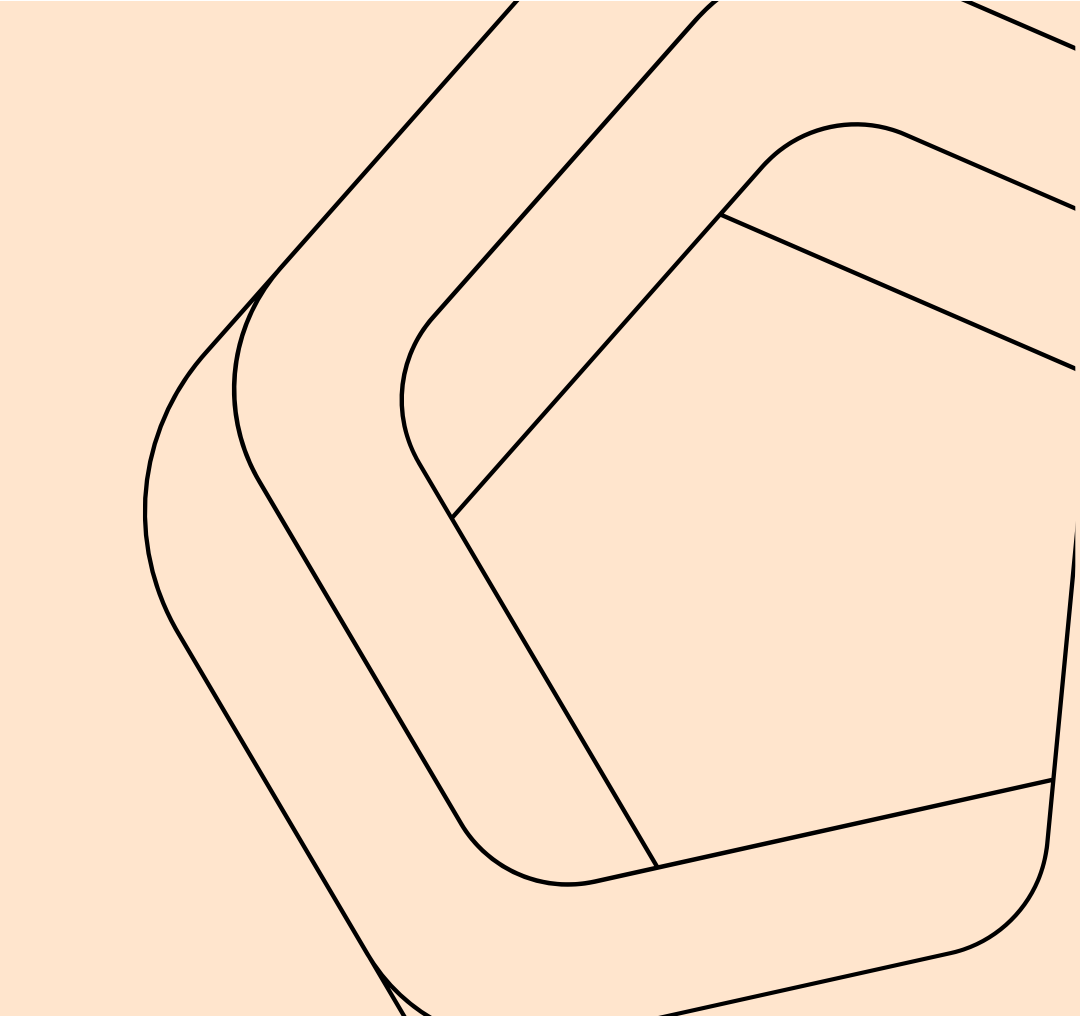
- What the current consumer credit landscape looks like
- How people are impacted when they are declined credit
- How people are impacted when experiencing difficulties repaying a loan

This report presents results from the 2024 survey, with comparisons made to experiences in 2019 throughout.

Methodology

An online survey was conducted with New Zealanders who had credit or applied for credit in the last year (2023).

Target population	New Zealanders aged 18+ who have either... <ul style="list-style-type: none">• Applied for credit in the last 12 month• Held a loan in the last 12 months Loans can include, but are not limited to, vehicle, personal, cash or home loans etc.
Sample source	Online survey with an online research panel
Sample size	1,179 respondents
Fieldwork	26th January – 16th February 2024. While the survey was conducted in January 2024, the survey asked participants to talk about their experience in 2023 (i.e. the previous 12 months).
Weighting	As demographics for the target population are unknown, quotas and weighting were applied at a total level (i.e. including the target population and those who took part but did not qualify) to ensure a representative sample. Results are weighted to be representative of the population by age, gender, location, ethnicity and household income by household size.
Margin of error	+/- 2.86%



Notes on reading the report

Some results are based on more than 1,179 people

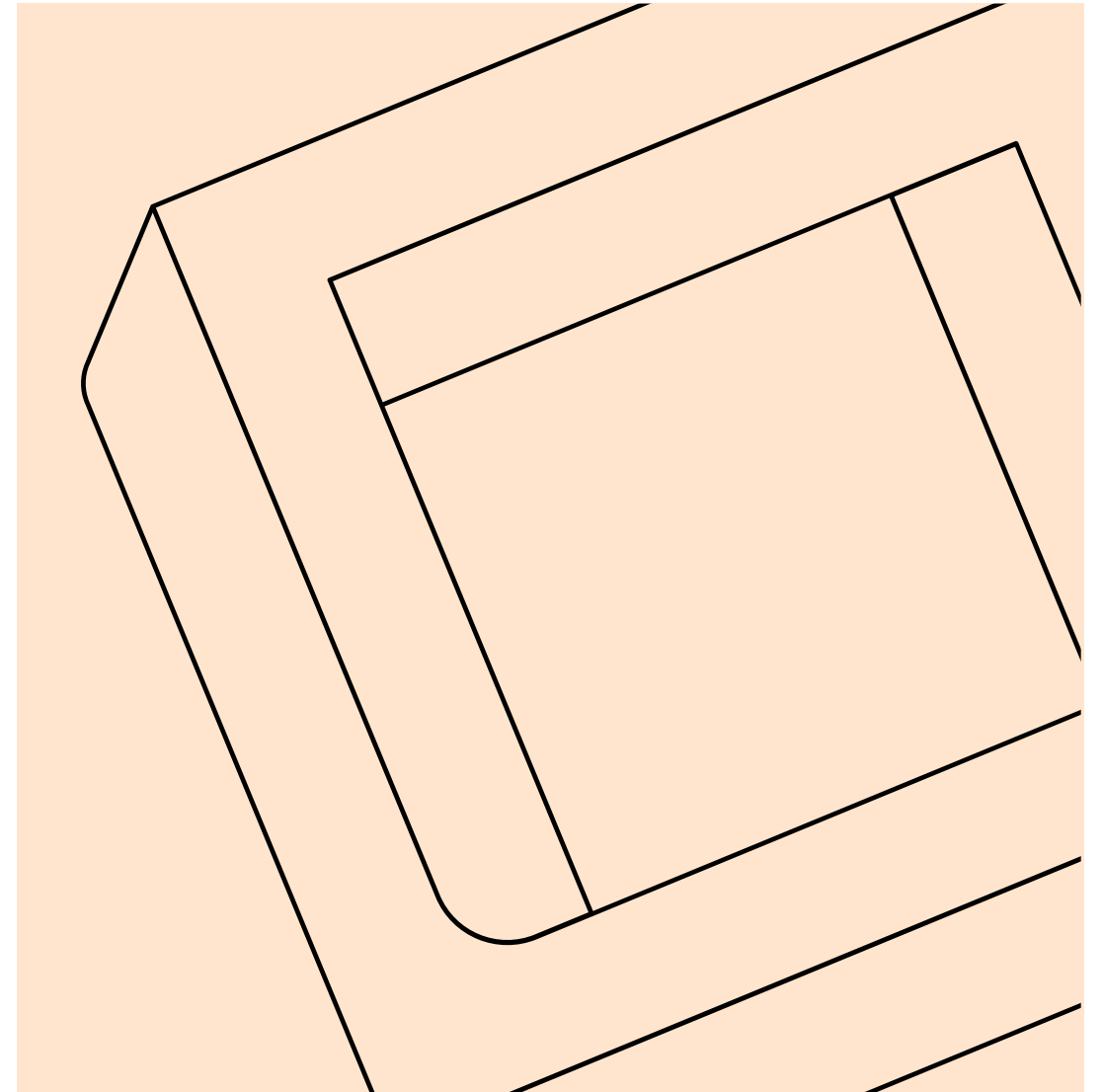
Both the target audience and those who did not qualify were asked whether they held a loan and/or what types of credit they had applied for in 2023 (if any). Most results show responses just for our target audience (i.e. those who held, or applied for, credit in 2023), however some results are shown at a total level (including our target audience and those who did not qualify).

Results are not representative of all consumer credit applications made in 2023

The survey asked about six types of credit, including buy-now-pay-later, hire purchase and credit sales agreements, new credit cards, new overdrafts, short term (less than 12 months) loans, and long term (more than 12 months) loans.

To limit participant burden and fatigue, and keep the survey at a reasonable length for participants, the survey did not ask about every credit application a participant made in 2023. For example, if someone applied for three or more types of credit, they were asked questions about two randomly-selected types. Note, those who applied for short-term loans were always asked about this as it is a key focus area for MBIE.

Some participants also made multiple applications for the same type of credit in the last 12 months (e.g. multiple credit card applications). In this instance, they were asked questions just about their most recent application for that type of credit.





02

Key findings

Key findings

The credit landscape

- Just over half (53%) of all New Zealanders applied for at least one type of credit in 2023.
- Approval rates remain high. Almost all who applied for credit were approved for at least one type of credit, however decline rates have increased since 2019, with around a quarter declined at least once.
- Buy-now-pay-later is the most common type of credit applied for, which has seen an increase since 2019. Meanwhile, applications for hire purchase and both long/short-term loans have declined.
- Alongside increasing decline rates for long-term loans, those who were approved received a lower median value than 2019, with more New Zealanders now saying they were approved for a lower long-term loan amount than they were seeking.
- Conversely, the median approved overdraft limit has increased.

Impact and sentiment

- Increasing living costs since 2019 appear to be driving changes to attitudes and sentiments. New Zealanders are increasingly worried about their ability to repay their debts in the future and more are feeling the impact of their struggle to make repayments on their day-to-day lives.
- A quarter of New Zealanders with credit in 2023 defaulted on a loan and almost half had to reduce spending on important living expenses to avoid defaulting. Reduced spending in particular has increased since 2019.
- New Zealanders are also increasingly missing repayments, having money directly deducted from their accounts to repay debts, or having legal action taken against them by lenders.
- Those struggling to repay debts are more likely to attribute this to increasing expenses in 2023, including both regular and unforeseen costs.
- When declined for an overdraft or credit card, New Zealanders are more likely to say this was ultimately a good thing than a bad thing. However, across all other credit types, New Zealanders are more negative about being declined than positive.

03

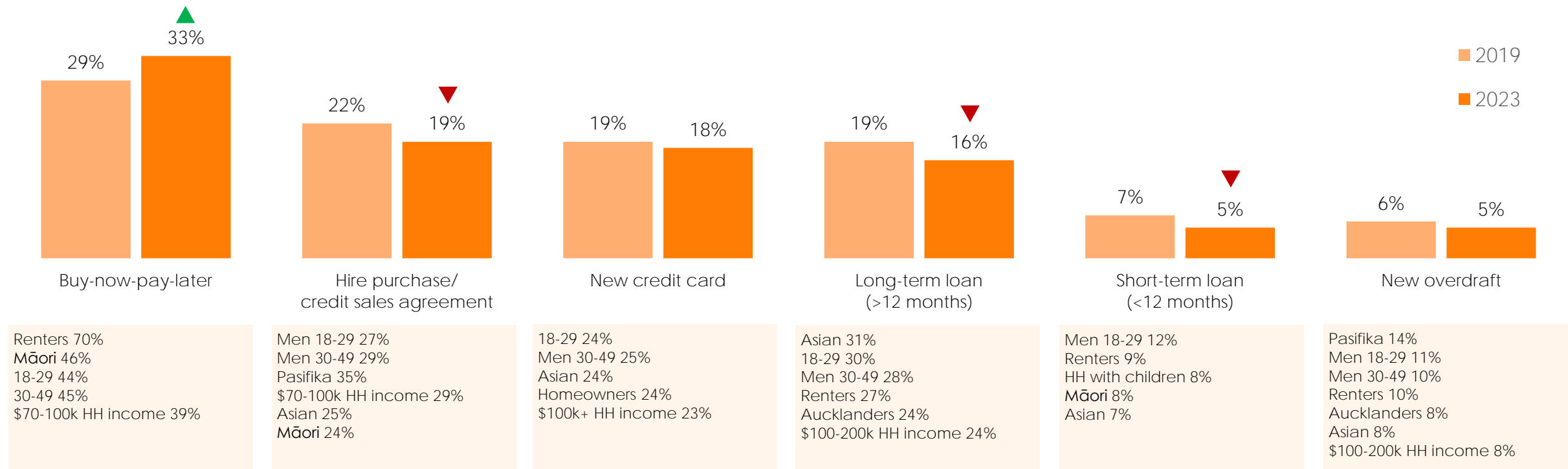
The credit landscape

Just over half of New Zealanders applied for credit in 2023.

This is consistent overall with 2019, however the types of credit applied for have changed, with a shift towards more use of buy-now-pay-later and fewer applications for hire-purchase agreements, or long/short-term loans.

53%

of New Zealanders applied for at least one type of credit in 2023 (54% in 2019) **including...**



Source: Q009 Did you do any of the following in the last 12 months? Q010 Did you apply for any of the following types of credit in the last 12 months? Q012 Which type(s) of loan did you apply for in the last 12 months?

Base: All New Zealanders aged 18+, whether or not they qualify for the survey (2019 n=1575, 2023 n=2,022)

Note: Multiple responses allowed, so totals may not add to 100%.

▲ Significantly higher than previous survey

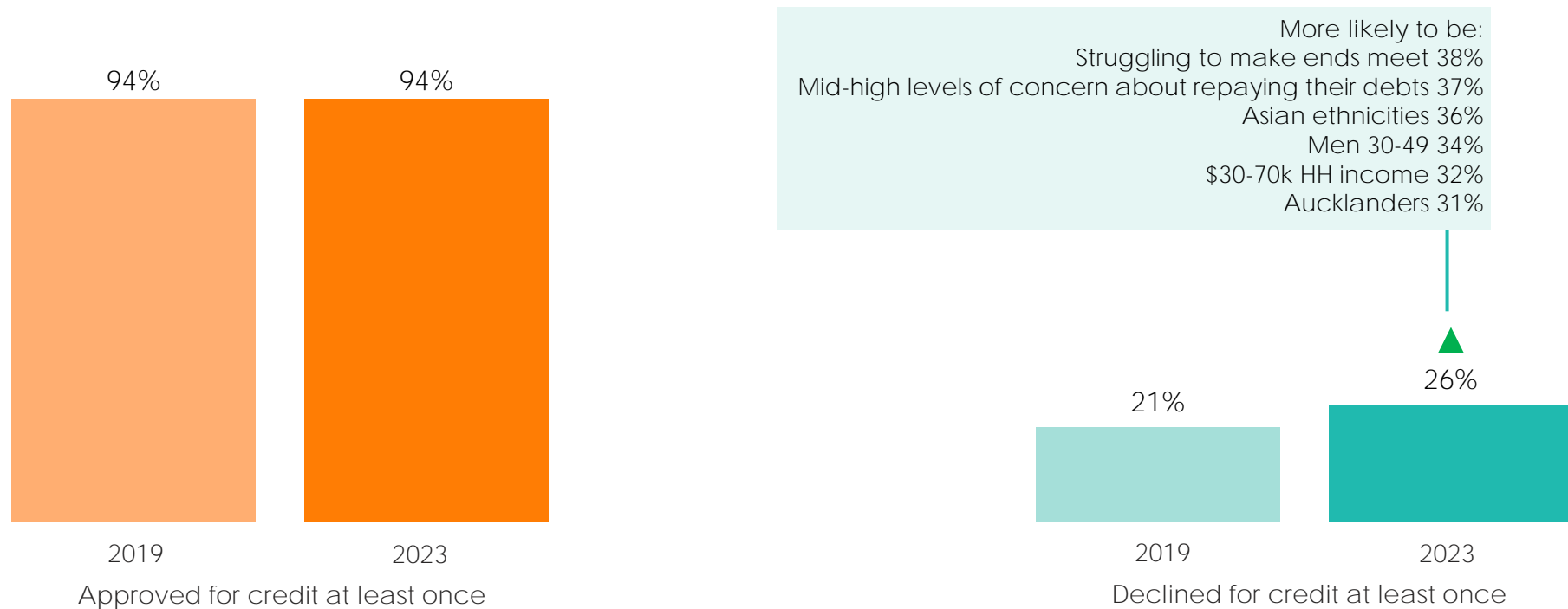
▼ Significantly lower than previous survey

■ Subgroup significantly higher than 2023 average | 11

Almost all who applied for credit were approved at least once.

While approval rates overall are the same as 2019, there has been an increase in those being declined. Those who were declined are more likely to have lower incomes and struggle financially. This is also more common for Asian ethnicities, Aucklanders and men aged 30-49.

New Zealanders who applied for credit*



▲ Significantly higher than previous survey
 ▼ Significantly lower than previous survey
 ■ Subgroup significantly higher than 2023 average

Source: Q015, Q027, Q039, Q056, Q071 How many of the applications you made [to use credit type] in the last 12 months were approved? Q018, Q030, Q045, Q061, Q077. How many of the applications you made [to use credit type] in the last 12 months were declined? Base: Those who applied for credit (2019 n=760, 2023 n=929)

Note: Multiple responses allowed, so totals may not add to 100% (e.g. where a respondent has applied for multiple types of credit).

*Note, approval/decline rates may be slightly under-reported here. To limit cognitive burden and survey length, respondents who applied for three or more types of credit were just asked whether they were approved/declined for two randomly selected credit types.

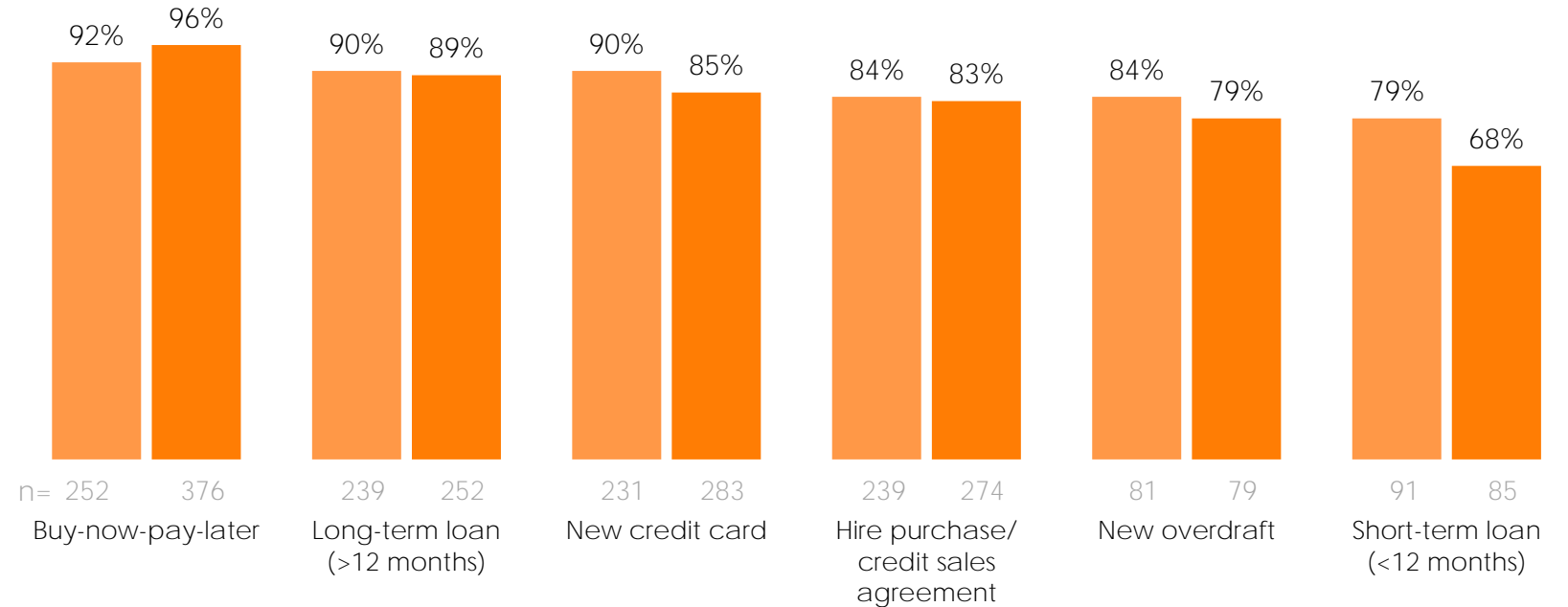
The average approval rate remains similar to 2019.

Almost all buy-now-pay-later applications were approved in 2023, whereas short-term loans had the lowest approval rate.

New Zealanders who applied for credit and were approved at least once

87%

Average approval rate*
(88% in 2019)



■ 2019 ■ 2023

▲ Significantly higher than previous survey
▼ Significantly lower than previous survey

Source: Q015, Q027 How many of the applications you made to buy something using [credit type] were approved? Q039, Q056, Q071 How many of the applications you made for [credit type] were approved?

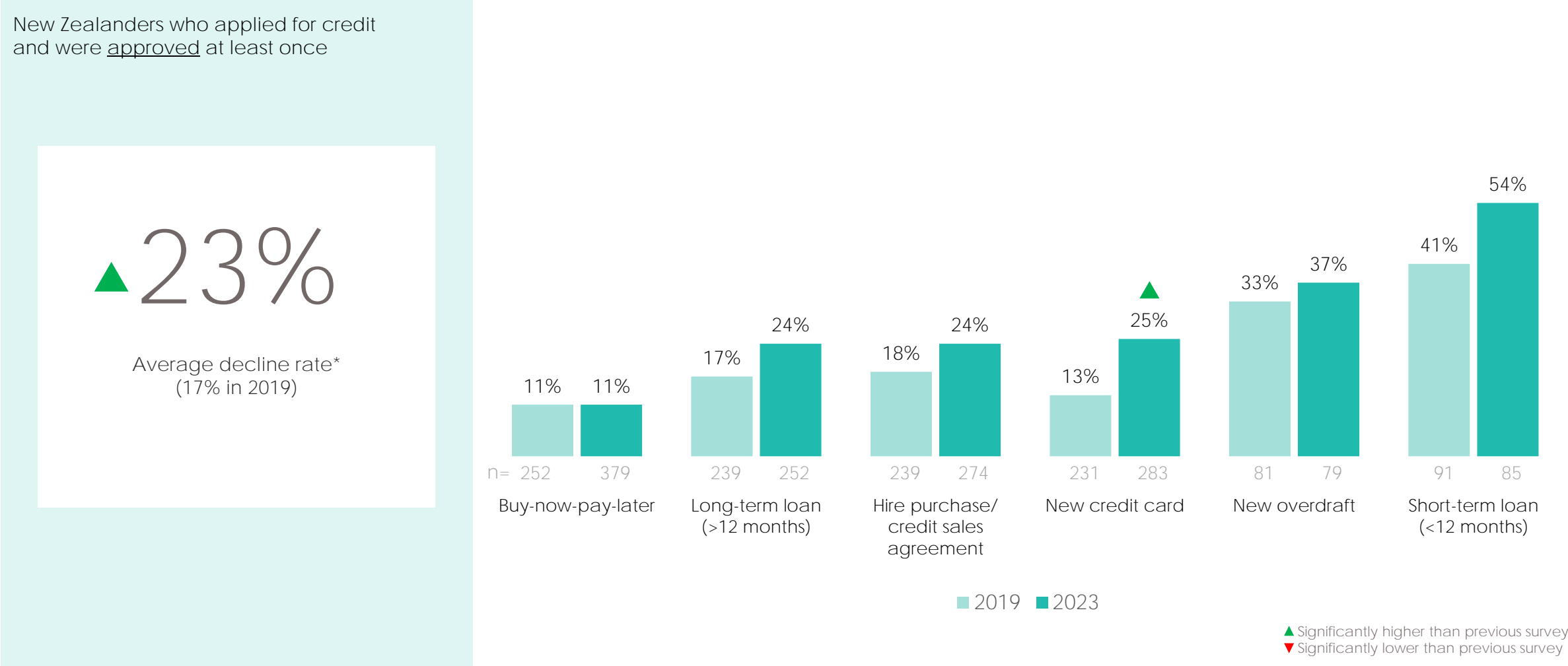
Base: Those who applied for each type of credit – Bases for each credit type shown on the chart above

Note: Multiple responses allowed, so totals may not add to 100% (e.g. where a respondent has applied for multiple types of credit).

*This is the average approval rate across all six types of credit adjusted to factor in the number of applications made in each type (i.e. a weighted average)

The average decline rate has increased since 2019.

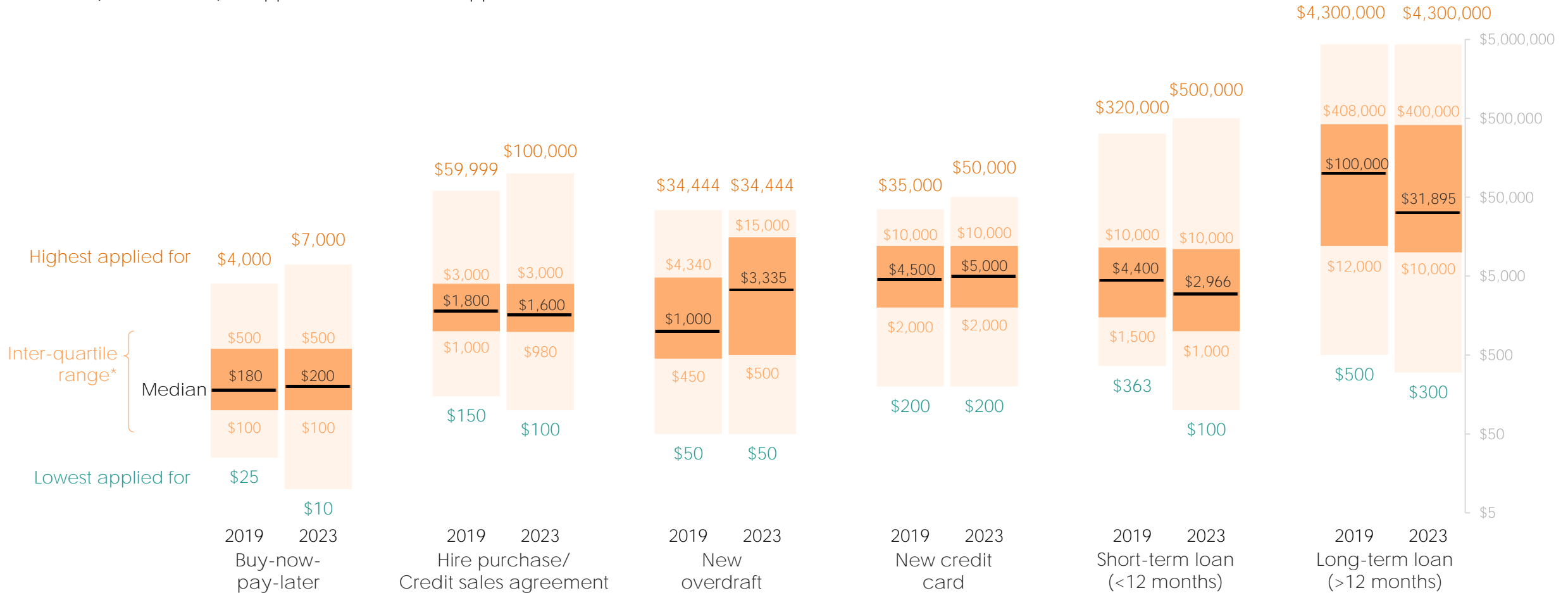
This is especially the case for credit card applications which have seen an increase in declined applications from 2019 to 2023. Of all credit types, short-term loans are the most likely to have been declined.



The median approved overdraft value has increased since 2019.

Whereas, the median value approved for long-term loans has decreased.

Value (or credit limit) of applications that were approved



Source: Q017, Q029 - What was the price of the product or service you attempted to buy using [credit type]?, Q041, Q058 - What [credit type] limit were you seeking when you applied for the [credit type]?, Q073 - How much money were you looking to borrow when you first applied for [loan type]?

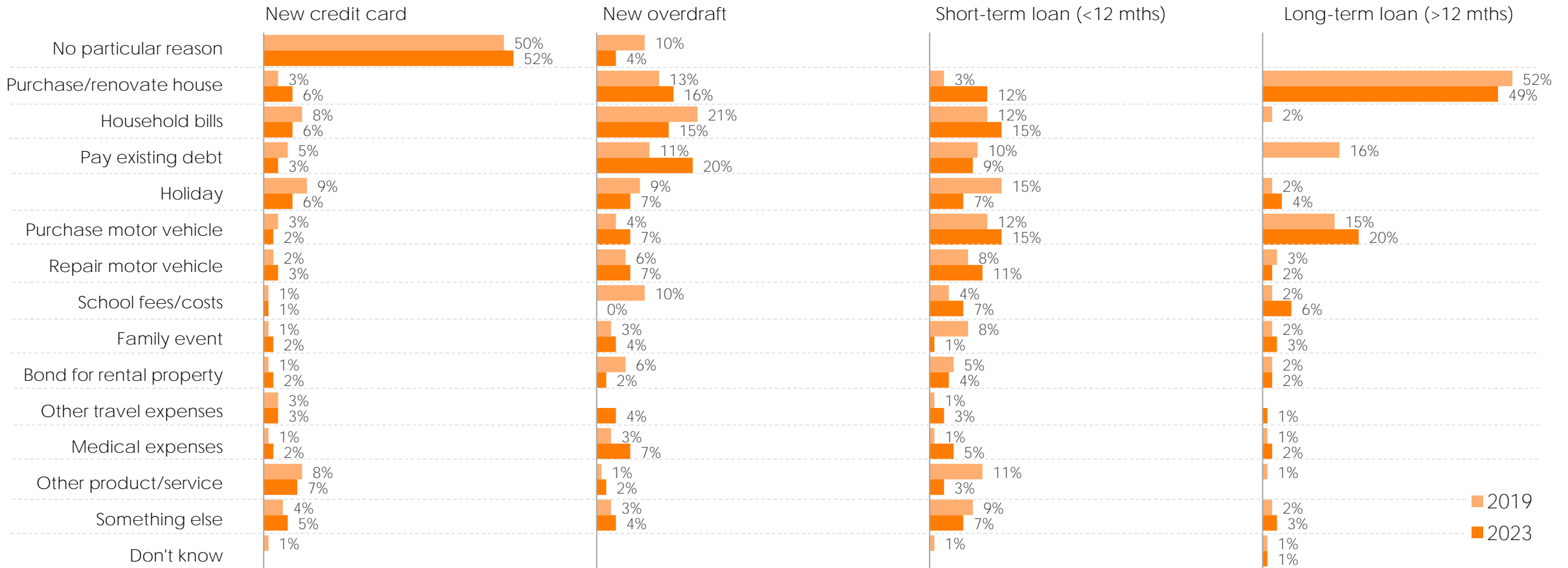
Base: Those who were approved for credit. Excludes those who refused to enter a dollar value. Buy-now-pay-later 2019 n=159, 2023 n=269. Hire purchase 2019 n=128, 2023 n=169. Credit card 2019 n=76, 2023 n=106. Overdraft 2019 n=76, 2023 n=106. Short-term loan 2019 n=51, 2023 n=41. Long-term loan 2019 n=165, 2023 n=163.

Note: *75% of values fall within this range. As declined applications are relatively uncommon, the survey did not collect enough data to present the above for declined applications.

Those approved for credit have broadly similar motives to 2019.

This, however, varies by credit type, with long-term loans mostly being used for housing or vehicles, while credit cards are most often sought with no specific purpose in mind. There is more variety in the purpose of overdrafts and short-term loans, but they are often sought for renovations, bills, vehicles or to service other existing debts.

Motives for seeking credit for those who were approved



Source: Q049, Q064, Q080 – What was the main reason you applied for [credit type]?

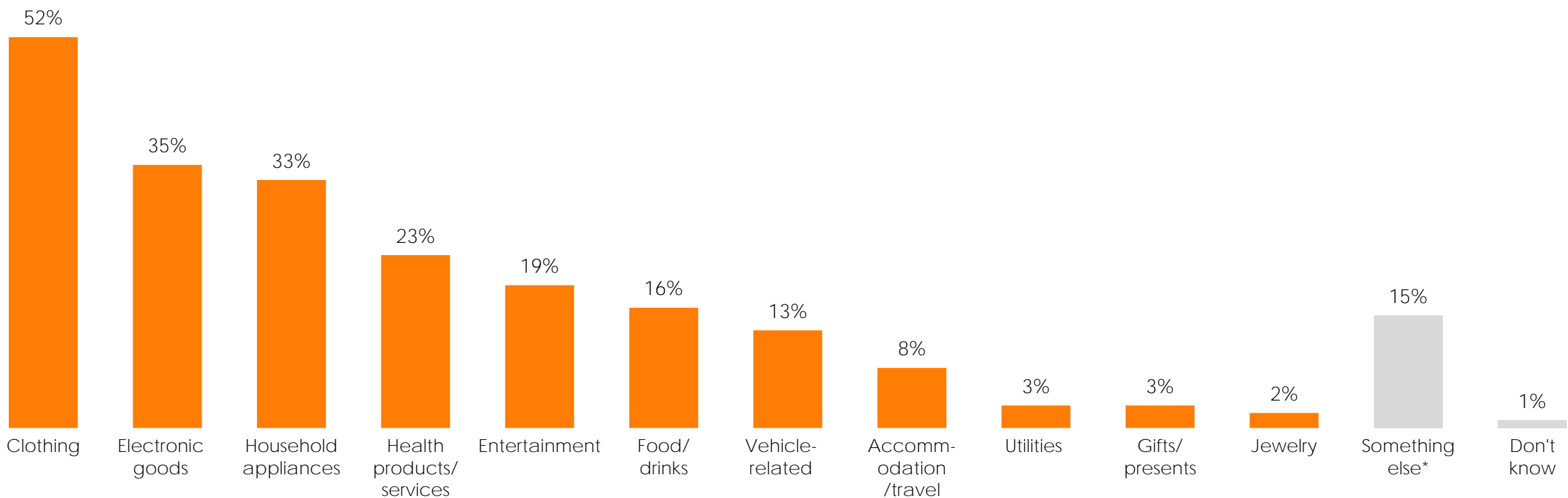
Base: Those who were approved for credit. Credit card 2019 n=210, 2023 n=243. Overdraft 2019 n=68, 2023 n=65. Short-term loan 2019 n=72, 2023 n=59. Long-term loan 2019 n=214, 2023 n=265.

Note: *This was not asked of hire purchase/credit sales agreements

Buy-now-pay-later is typically used for small-mid sized purchases.

The most common use is for clothing, followed by electronics goods and appliances.

Purchases made with buy-now-pay-later



Source: Q017a Which of the following have you purchased using buy-now-pay-later in the last 12 months?

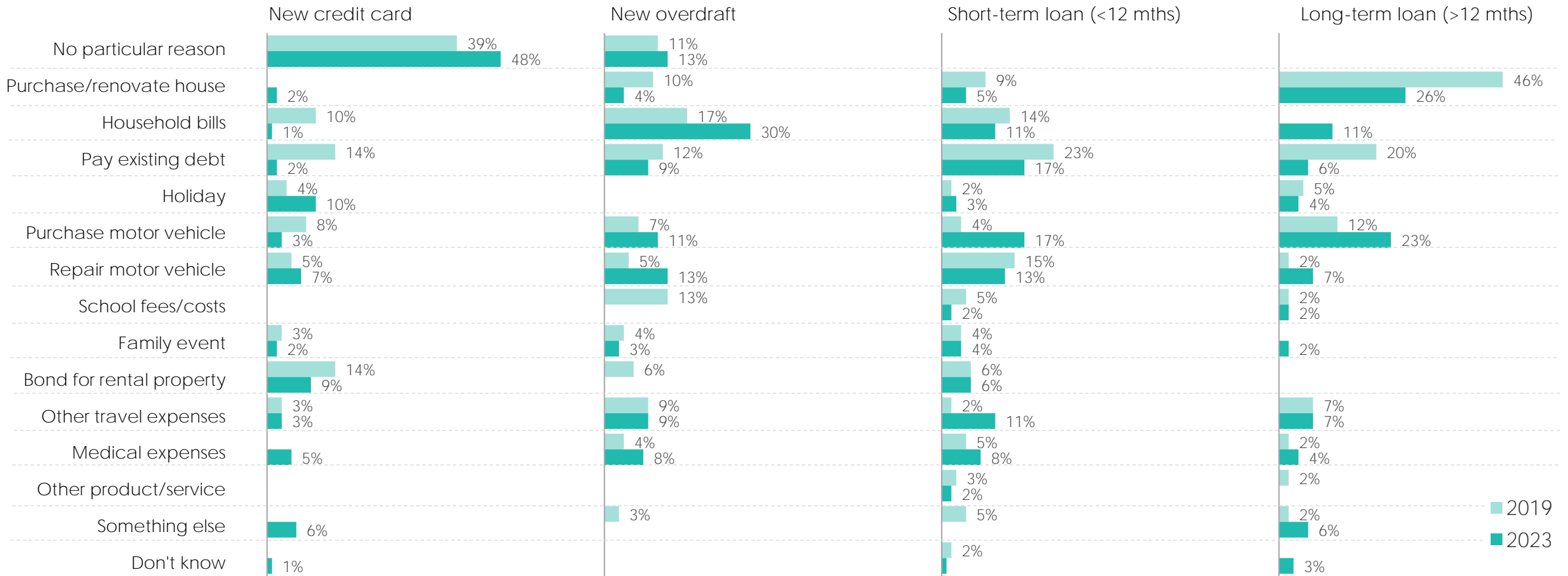
Base: Those who were approved for buy-now-pay-later n=376

Note: This was asked for the first time in 2023, which means no data for 2019 is available. Only showing responses with more than 1%. *Others include insurance, art/craft supplies, bicycles, camping gear, books etc.

Those declined for credit have similar motives to those approved.

However, New Zealanders who applied for an overdraft to help pay for household bills are somewhat more likely to be declined.

Motives for seeking credit for those who were declined



Source: Q049, Q064, Q080 – What was the main reason you applied for [credit type]?

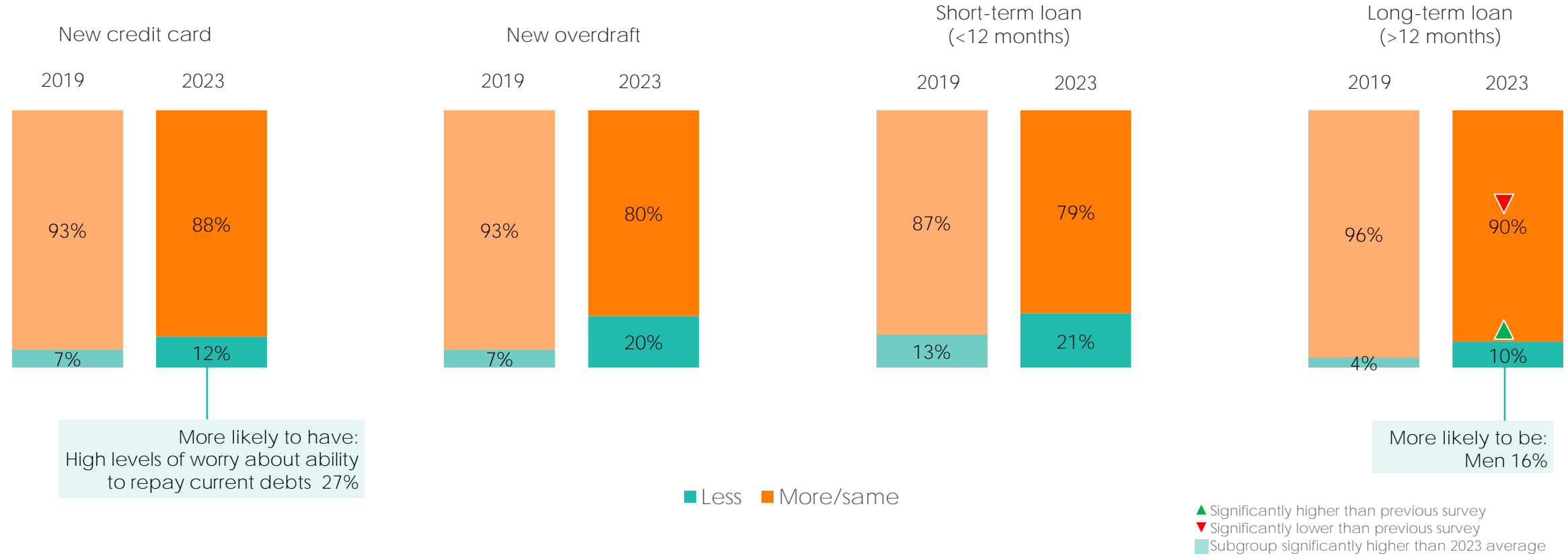
Base: Those who were declined for credit. Credit card 2019 n=30, 2023 n=67. Overdraft 2019 n=27, 2023 n=28. Short-term loan 2019 n=37, 2023 n=45. Long-term loan 2019 n=43, 2023 n=58.

Note: *This was not asked of buy-now-pay-later or hire purchase/credit sales agreements

Most applications are approved for the amount sought.

However, more New Zealanders in 2023 said they were approved for a lower long-term loan amount than they were wanting, which is more common among men. Those already concerned about their ability to make credit repayments were also more likely to be given a lower credit card limit than they were seeking.

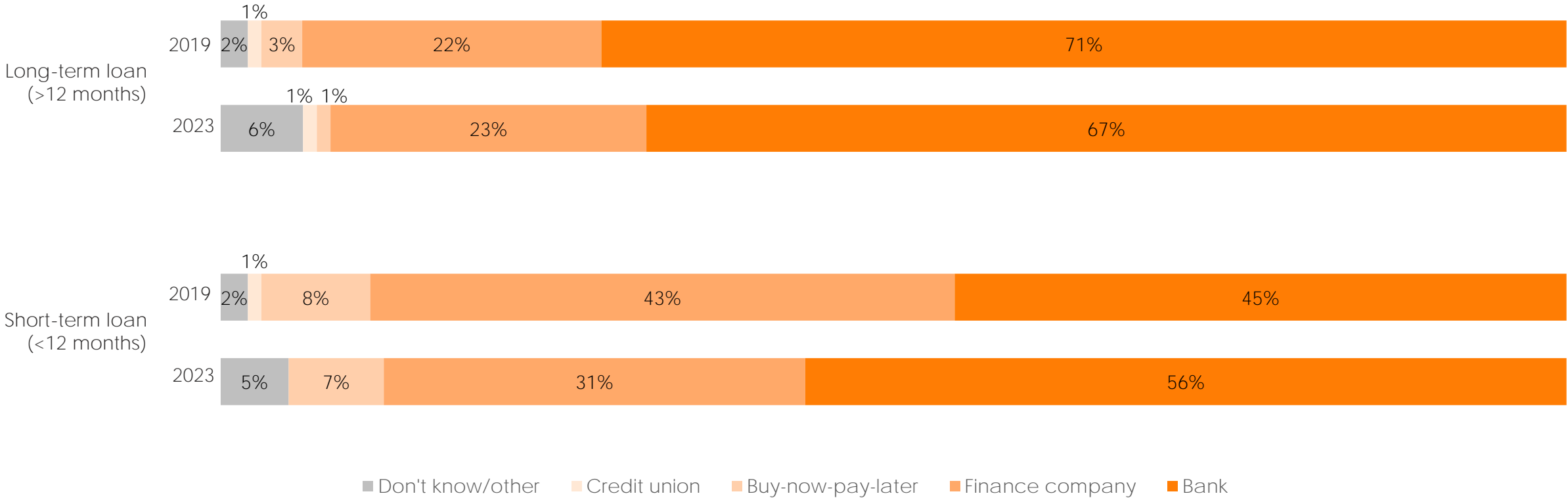
Proportion approved for the amount they applied for



Source: Q044, Q060, Q076 – Were you approved [for the credit/overdraft limit/to borrow the full amount of money] you applied for in the beginning?
 Base: Those who were approved for credit. Credit card 2019 n=210, 2023 n=243. Overdraft 2019 n=68, 2023 n=65. Short-term loan 2019 n=72, 2023 n=59. Long-term loan 2019 n=214, 2023 n=265.
 Note: *This was not asked of buy-now-pay-later or hire purchase/credit sales agreements

Most long/short-term loans come from banks or finance companies.

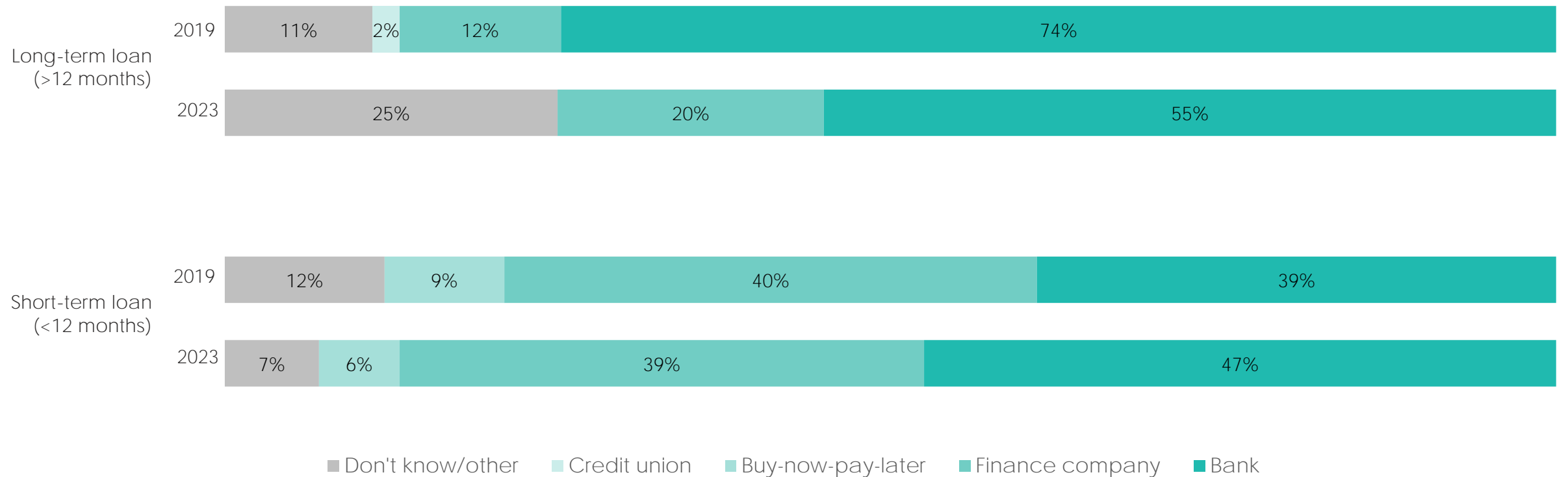
Organisations borrowed from



Source: Q075 Who did you end up borrowing from?
 Base: Those who were approved for credit. Short-term loan 2019 n=72, 2023 n=57. Long-term loan 2019 n=214, 2023 n=220.
 Note: *This was not asked of buy-now-pay-later or hire purchase/credit sales agreements

Similarly, most declined applications come from banks/finance companies.

Organisations who declined loans



Source: Q081 Who declined your [loan type] application?
Base: Those who were declined for credit. Short-term loan 2019 n=37, 2023 n=45. Long-term loan 2-19 n=43, 2023 n=57.
Note: *This was not asked of buy-now-pay-later or hire purchase/credit sales agreements

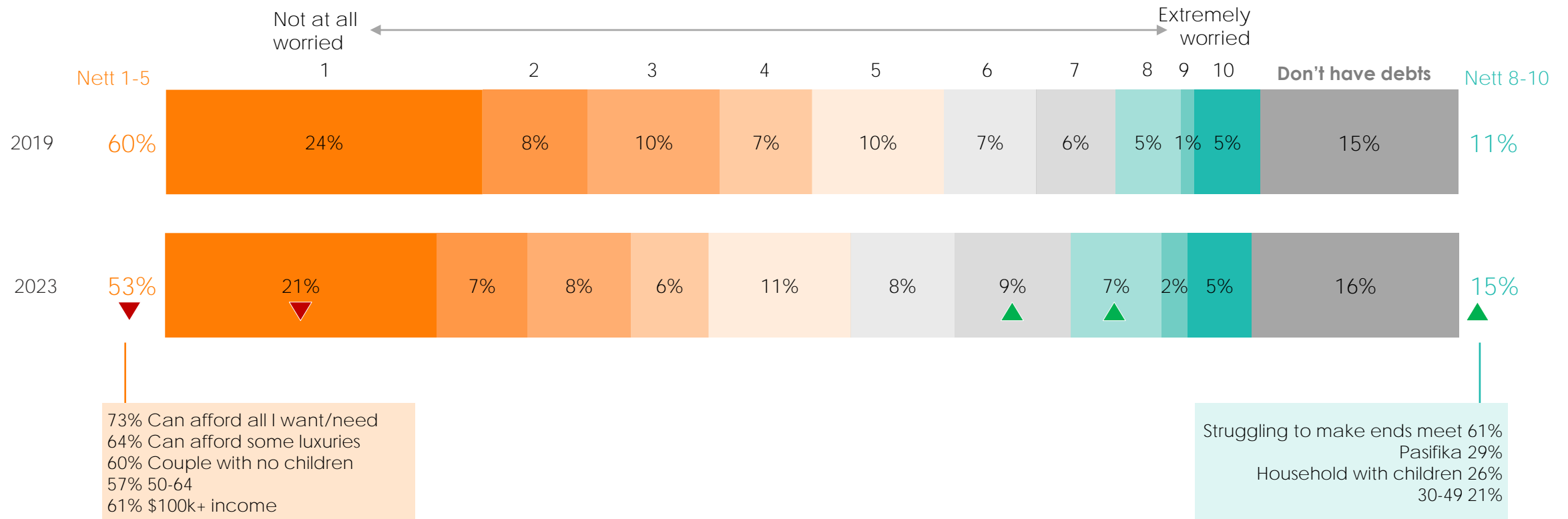
04

Sentiment towards credit

Confidence in the ability to repay debts has dropped since 2019.

About one in seven New Zealanders are concerned about their ability to repay their debts in the next six months, which has increased since 2019. Confidence typically increases with income and age, whereas the New Zealanders who are most worried are more likely to be younger families, Pasifika or those who recognise they are struggling to make ends meet.

Concerns about ability to keep up with debt repayments in the next six months



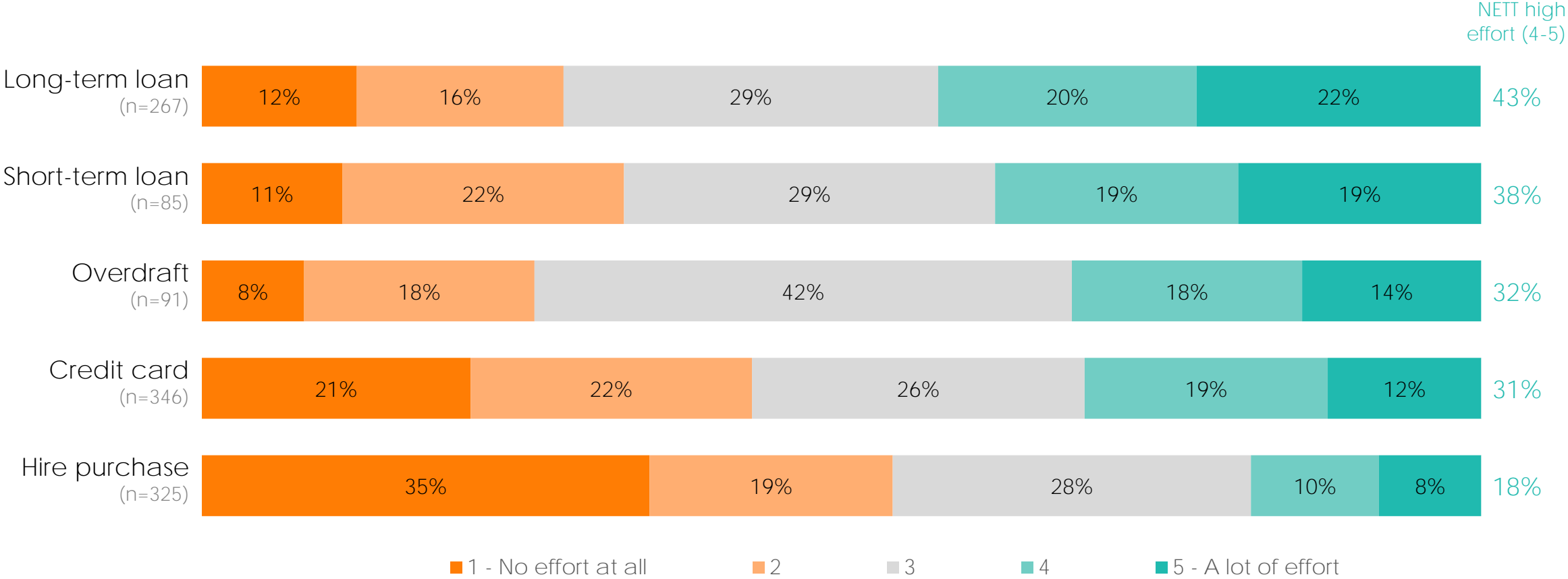
Source: Q008 How worried, if at all, are you about your ability to keep up with your repayments over the next six months?
 Base: All New Zealanders aged 18+, whether or not they qualify for the survey (2019 n=1575, 2023 n=2,022)
 Note: Totals may not add to 100% due to rounding

▲ Significantly higher than previous survey
 ▼ Significantly lower than previous survey
 ■ Subgroup significantly higher than 2023 average

Short and long-term loans take the most effort to apply for.

Two in five found that short or long-term loans required a high level of effort to apply for. Conversely, hire-purchase applications require the least effort.

Effort required when applying for credit



Source: Q010b - Thinking now about when you applied for credit in the last 12 months, how much effort did the application process take?
 Base: All New Zealanders who applied for credit – bases shown on chart above
 Note: This was asked for the first time in 2023 which means no data is available for 2019. This was not asked of buy-now-pay-later

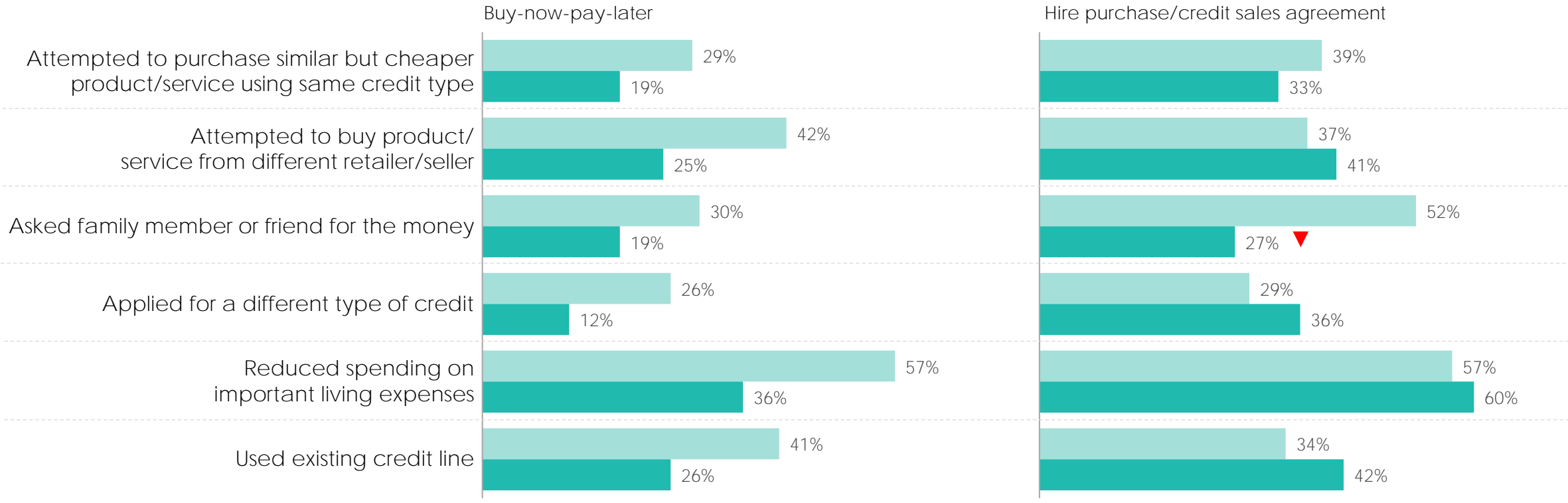
05

Impacts of being declined for credit

The most common reaction to being declined is to reduce spending.

Compared with 2019, fewer New Zealanders reached out to friends or family for money after having their hire purchase application declined.

Actions taken after being declined credit



Note, being declined for credit is relatively rare*, meaning results must be treated with caution due to small base sizes.

■ 2019 ■ 2023

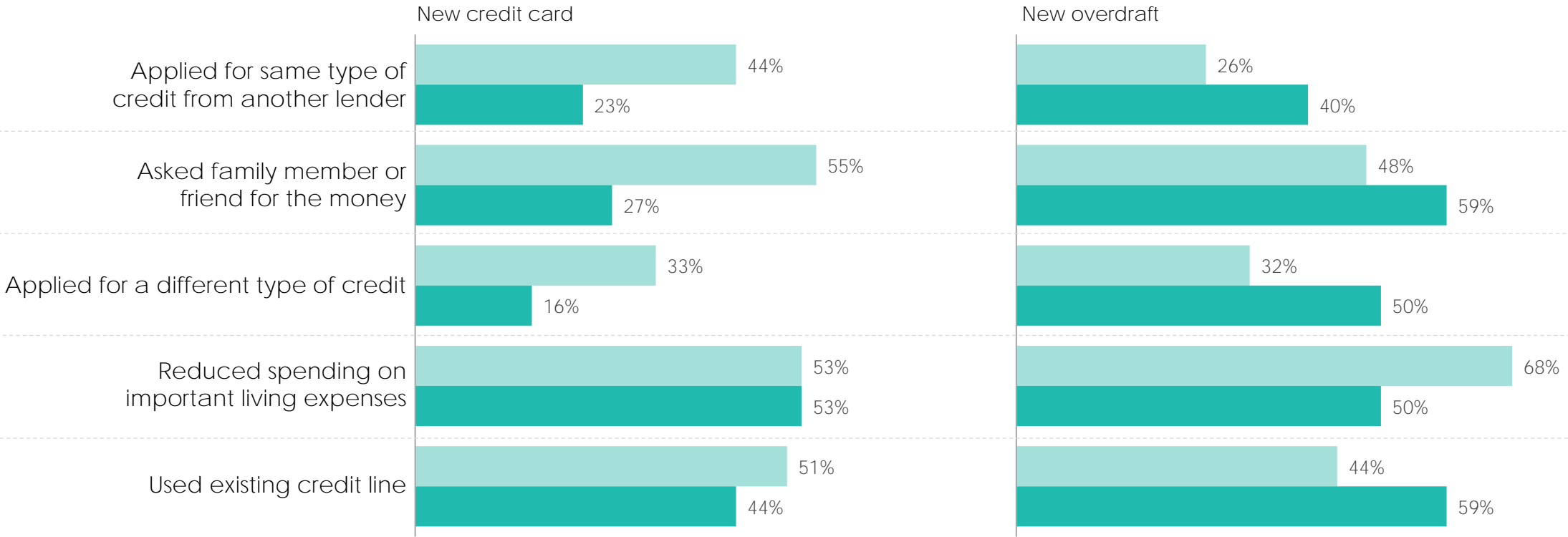
▲ Significantly higher than previous survey
▼ Significantly lower than previous survey

Source: Q021, Q033 - Did you take any of these actions as a result of your application being declined?
 Base: Those who were declined each type of credit. Buy-now-pay-later 2019 n=27, 2023 n=43. Hire purchase 2019 n=43, 2023 n=63.
 Note: Multiple can be selected, so totals may not add to 100%. *23% of New Zealanders were declined in 2023 and 21% in 2019. Treat results with caution due to low base sizes

Those declined for credit cards/overdrafts also often reduce spending.

While half of those who were declined for an overdraft reduced their spending, they were also likely to look elsewhere for the money, whether from other credit sources, or from friends and family.

Actions taken after being declined credit



Note, being declined for credit is relatively rare*, meaning results must be treated with caution due to small base sizes.

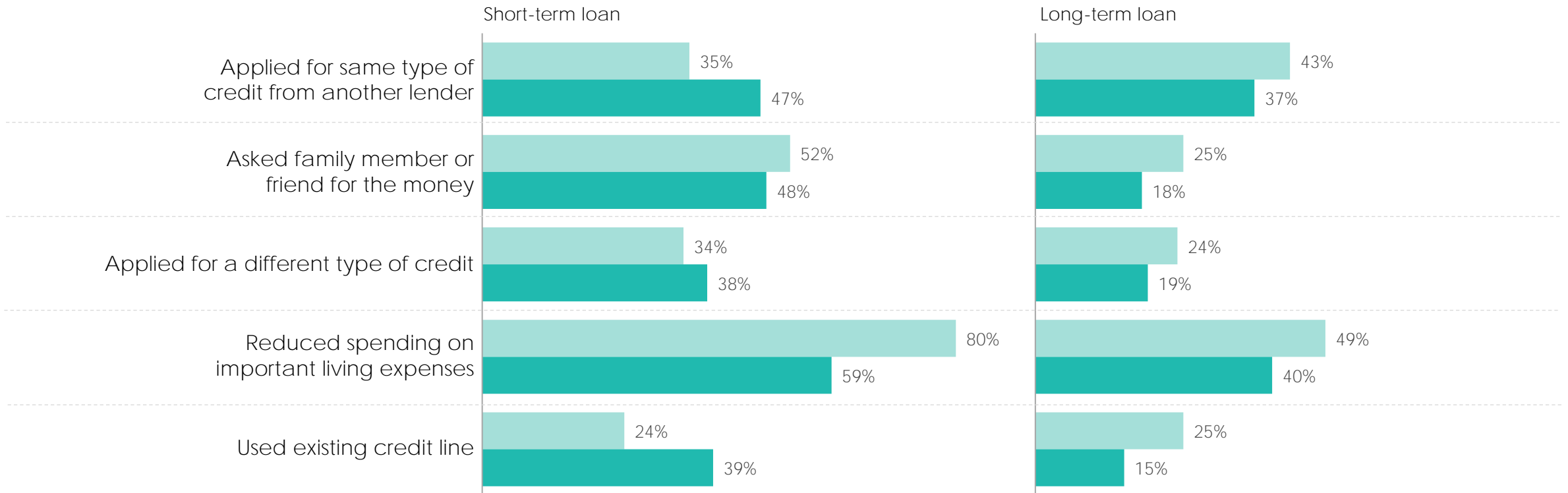
■ 2019 ■ 2023 ▲ Significantly higher than previous survey ▼ Significantly lower than previous survey

Source: Q050, Q065 - Did you take any of these actions as a result of your application being declined?
 Base: Those who were declined each type of credit. Credit card 2019 n=30, 2023 n=67. Hire purchase 2019 n=27, 2023 n=28
 Note: Multiple can be selected, so totals may not add to 100%. *23% of New Zealanders were declined in 2023 and 21% in 2019
 Treat results with caution due to low base sizes

Those declined for loans also most often reduce their spending.

New Zealanders who were declined for short-term loans in particular tend to also seek out other sources of money, whether from other lenders, other credit types or friends and family.

Actions taken after being declined credit



Note, being declined for credit is relatively rare*, meaning results must be treated with caution due to small base sizes.

■ 2019 ■ 2023

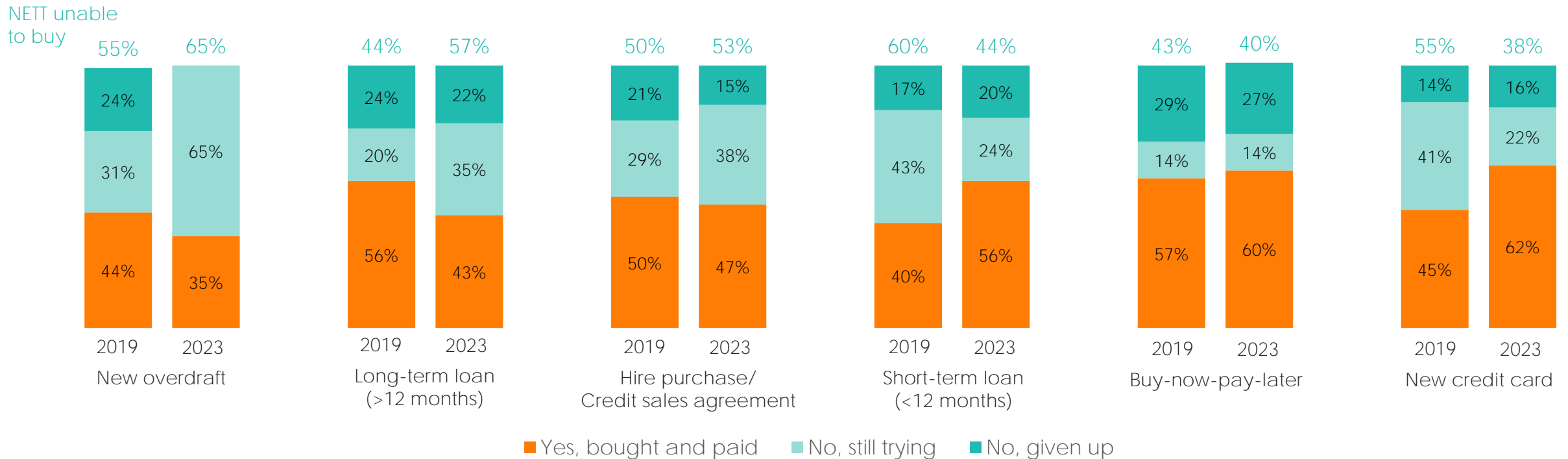
▲ Significantly higher than previous survey
▼ Significantly lower than previous survey

Source: Q082 – Did you take any of these actions as a result of your application being declined?
 Base: Those who were declined each type of credit. Short-term loan 2019 n=37, 2023 n=45. Long-term loan 2019 n=43, 2023 n=57
 Note: Multiple can be selected, so totals may not add to 100%. *23% of New Zealanders were declined in 2023 and 21% in 2019. Treat results with caution due to low base sizes

At least a third who are declined credit still manage to make the purchase.

Declined credit card and buy-now-pay-later applicants in particular are most likely to still find a way to make the purchase they set out to make.

Ability to pay for what you need after being declined credit



Note, being declined for credit is relatively rare*, meaning results must be treated with caution due to small base sizes.

Source: Q022, Q034, Q051, Q066, Q083 – In the end were you able to buy the product or service you had attempted to get using [credit type]?

Base: Those who were declined credit and had a specific reason for applying.

Buy-now-pay-later 2019 n=31, 2023 n=43. Hire purchase 2019 n=43, 2023 n=63. Credit card 2019 n=18, 2023 n=34. Overdraft 2019 n=27, 2023 n=28. Short-term loan 2019 n=37, 2023 n=45.

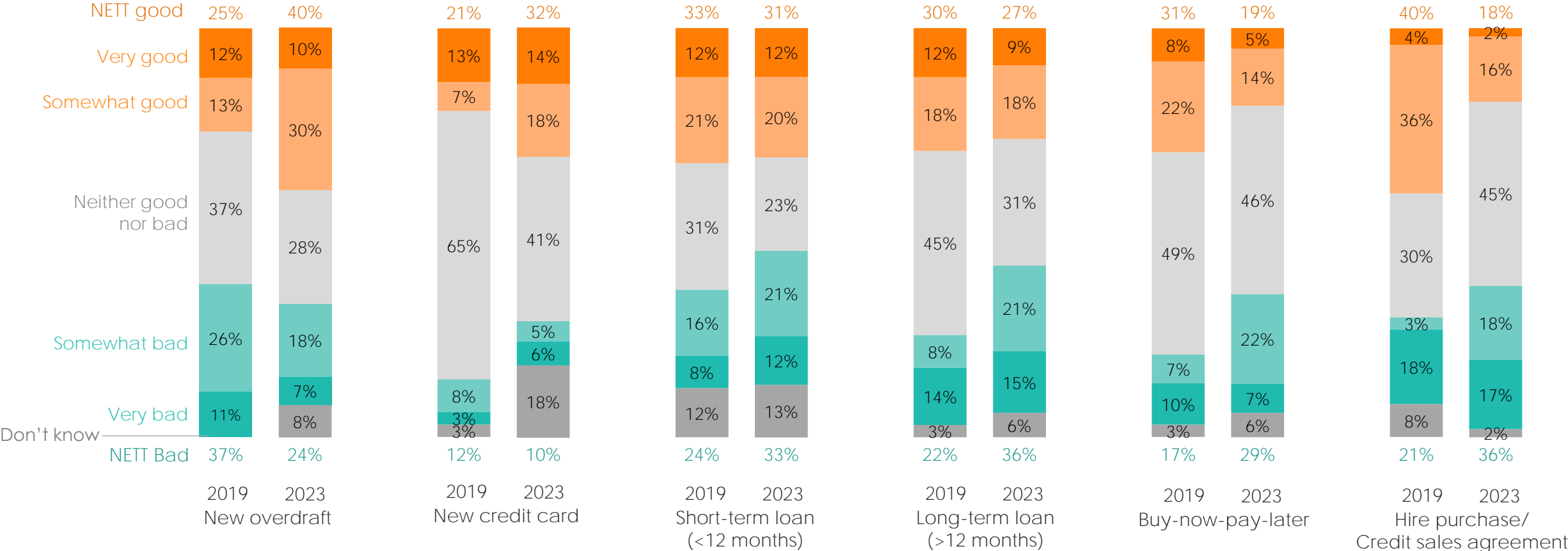
Long-term loan 2019 n=43, 2023 n=71

Note: Treat results with caution due to small base sizes. *23% of New Zealanders were declined in 2023 and 21% in 2019

New Zealanders declined for overdrafts felt the most positive about this.

Of those who were declined for a new overdraft or credit card in 2023, more feel that this was ultimately good than feel it was bad. However, the opposite is true for other credit types, where the outcome was seen as more negative than positive.

Was being declined for credit good or bad in the end?



Source: Q024, Q036, Q053, Q068, Q085 – Looking back ,did it end up being a good thing or a bad thing that your application was declined?
 Base: Those who were declined each type of credit. Buy-now-pay-later 2019 n=27, 2023 n=43. Hire purchase 2019 n=43, 2023 n=63. Credit card 2019 n=30, 2023 n=67.
 Overdraft 2019 n=27, 2023 n=28. Short-term loan 2019 n=37, 2023 n=45. Long-term loan 2019 n=43, 2023 n=58.

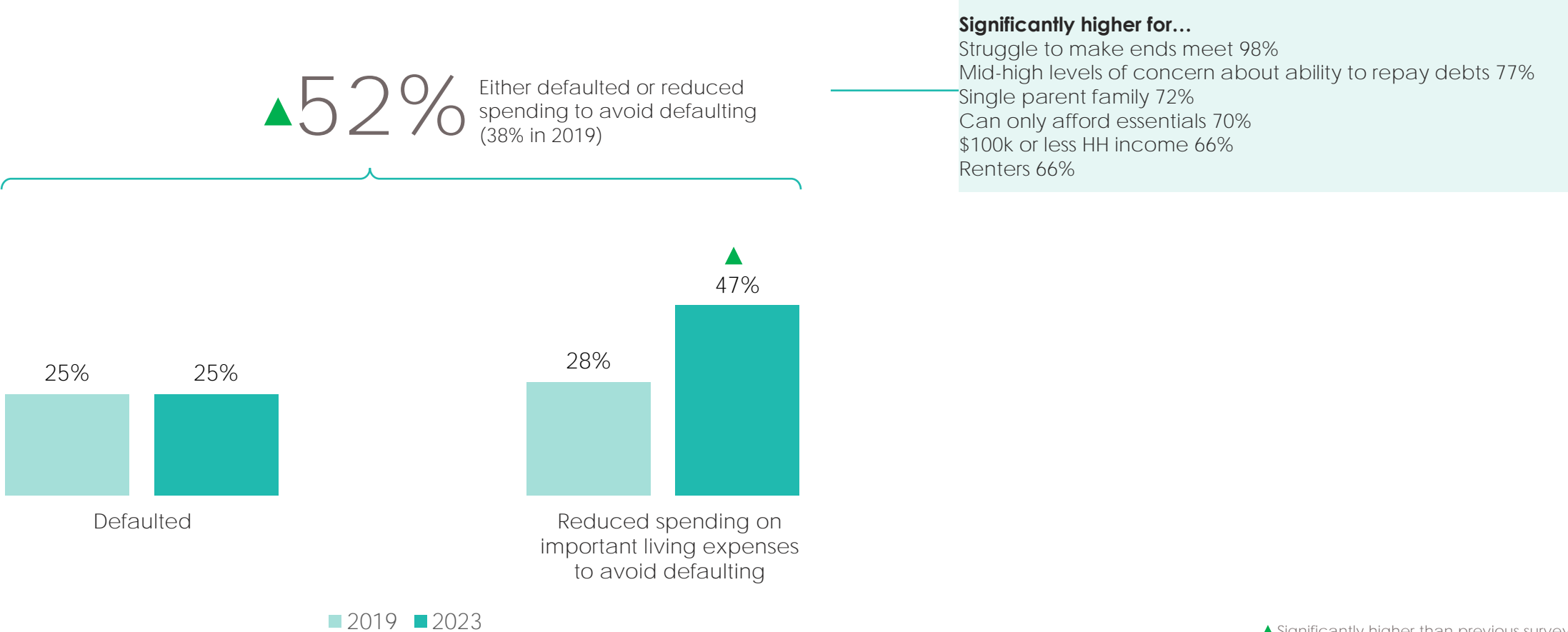
06

Loan repayment difficulties and impacts

Half of those with a loan either defaulted or cut back spending to avoid defaulting.

There has been an increase in New Zealanders having to reduce their spending on important living expenses to avoid defaulting on their loan. However, the share who did default has remained unchanged, suggesting that this has not yet tipped over into actually defaulting.

Impacts of loans

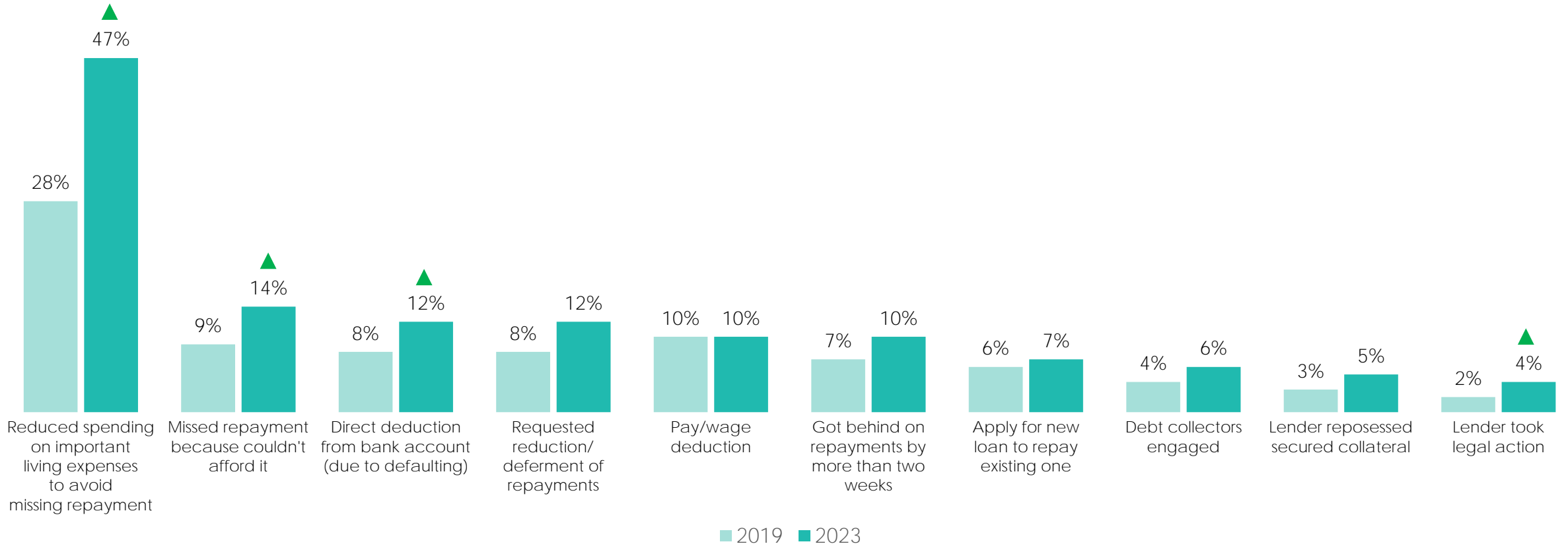


Source: Q087 – In the last 12 months, did any of these things happen in relation to a loan you hold (or held)
Base: Those who held a loan in the previous 12 months (2019 n=673, 2023 n=717)
Note: Multiple responses are allowed, so totals may not add to 100%

Missed repayments, direct deductions and legal action have increased.

As well as cutting back on spending, more New Zealanders in 2023 have missed at least one loan repayment, have had money directly deducted from their bank account, or have experienced legal action from the lender than in 2019.

Specific loan impacts



▲ Significantly higher than previous survey
▼ Significantly lower than previous survey

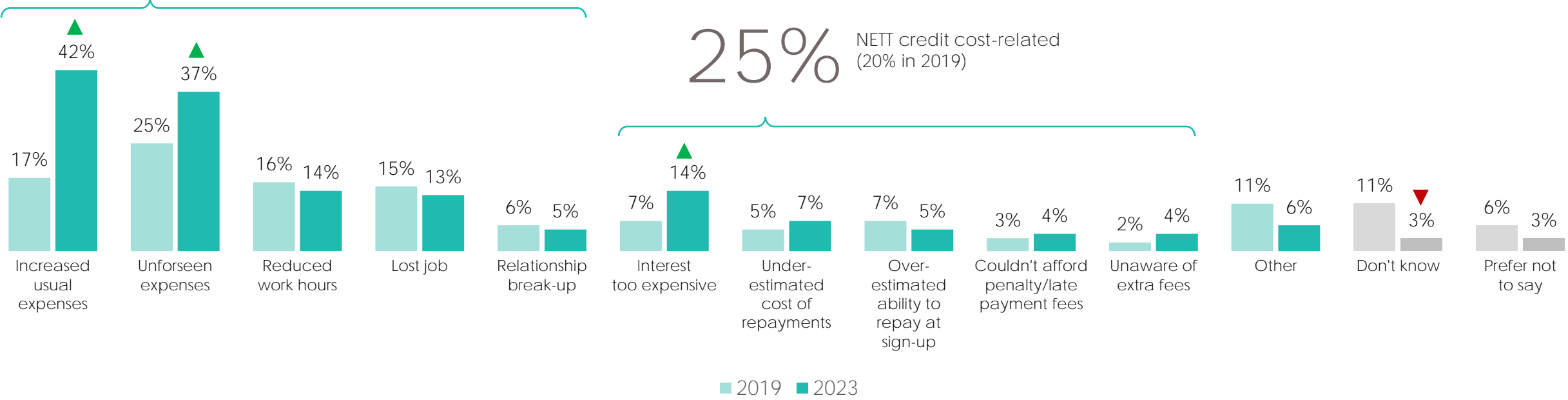
Source: Q087 – In the last 12 months, did any of these things happen in relation to a loan you hold (or held)
 Base: Those who held a loan in the previous 12 months (2019 n=673, 2023 n=717)
 Note: Multiple responses are allowed, so totals may not add to 100%

Repayment struggles are increasingly due to personal circumstances.

Compared with 2019, more of those who say they struggled to repay their loan attribute this to increased usual expenses (e.g. regular living costs) or unforeseen expenses. There has also been an increase in those saying the interest on their credit is too expensive.

Reasons for struggling to repay loan

▲ 80% NETT personal circumstances (64% in 2019)



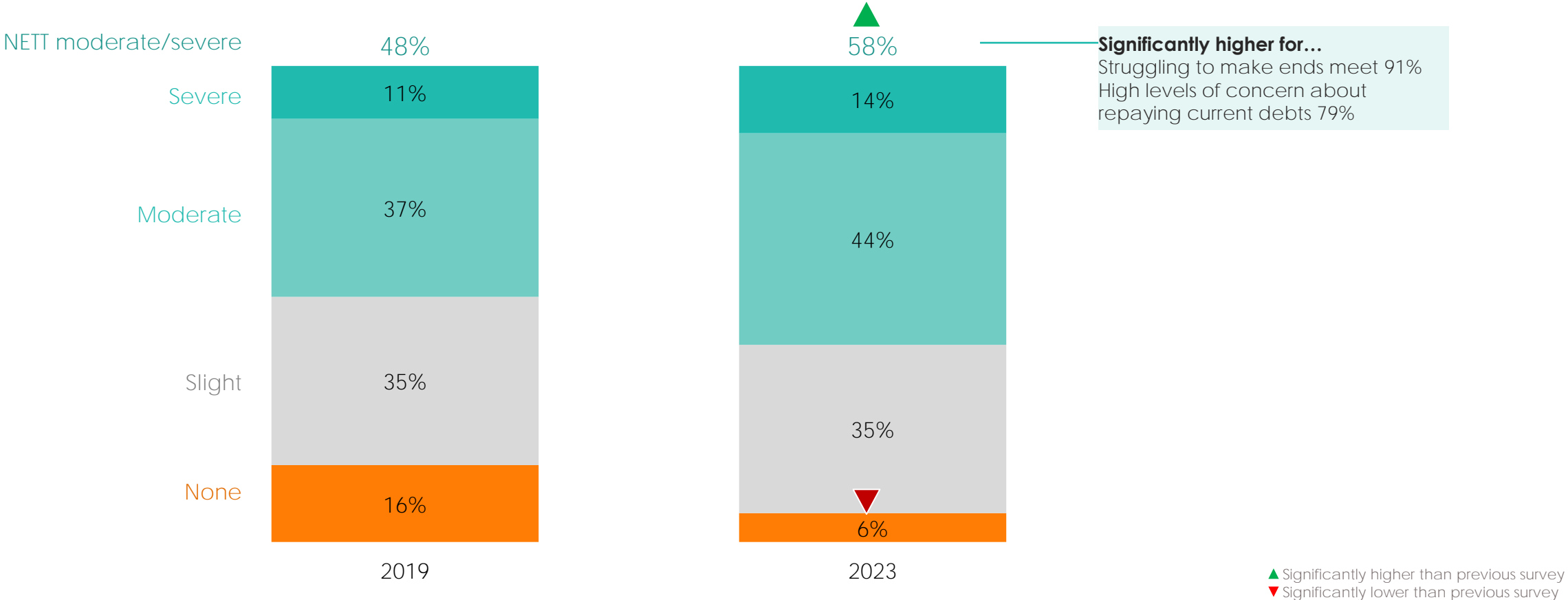
▲ Significantly higher than previous survey
▼ Significantly lower than previous survey

Source: Q087 – In the last 12 months, did any of these things happen in relation to a loan you hold (or held)?
Base: Those who had difficulty repaying their loan in the previous 12 months (2019 n=247, 2023 n=371)
Note: Multiple responses are allowed, so totals may not add to 100%

Three in five feel the impacts of repayment difficulties day-to-day.

There has been an increase since 2019 in those who find that difficulties repaying their loan have a moderate-to-severe impact on their every-day life, with fewer now saying that they experience no impacts stemming from difficulties making repayments.

Impact of loan difficulties on every day life



Source: Q093 – Still thinking about your difficulties repaying the loan, how much of an impact did they have on your everyday life?
 Base: Those who had difficulty repaying their loan in the previous 12 months (2019 n=247, 2023 n=371)
 Note: Multiple responses are allowed, so totals may not add to 100%