Chris Cuthbertson

From: Nicole Huddleston Privacy of natural persons
Sent: Monday, 17 June 2024 9:02 pm
To: Consumer Policy
Subject: Submission - Fit for Purpose Consumer Credit Legislation

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Submitted via: consumer@mbie.govt.nz

Consumer Policy
Building, Resources and Markets
Ministry of Business, Innovation & Employment
Wellington

RE: Fit for Purpose Consumer Credit Legislation Discussion Document

I, Nicole Huddleston, support the recommendations in FinCap's submission.

Whilst I live/work in an area that is deemed 'affluent', the cost of living costs are exceptionally high. So high, low-income earners, which is what makes this town tick, cannot afford consumer debt. Debt and high housing costs are a recipe for disaster and, as a community, we are having to support many families/individuals which is not sustainable.

1. I also have concerns around consumer debt that is being taken out as 'business debt'.

   I have an example of a peer to peer lender giving a personal loan for 'business purposes' to a person who does not even have a business but because they ticked the 'business' box it was processed without the need for an affordability assessment. They had asked for $15k, got offered $36k, will be paying back $59k. This is at 15.49% over 84 months. Needless to say, they have defaulted.

2. My other main concern is phone purchases from telco companies. A phone on credit costing in excess of $500 is a significant purchase and another area of expenditure putting pressure on household budgets. This tends to be tied into an expensive, and excessive, usage plan which is very hard to get out of and, generally, the client is tied to the contract for up to 3 years. This type of lending should be tested as for any other type of lending.

3. When it comes to mortgage lending, criteria is too tight. Banks should be able to consider the overall wealth of a customer and not just focus on their income. If they can demonstrate the ability to repay from other assets and have a proposed servicing plan that is reasonable, that should be enough to satisfy the banks.

   For example, a customer wanting to build a rental property as part of their business, and has assets that could be used to guarantee a loan, is currently expected to prove repayment ability through their family's personal income, implicating their partner in the deal when it has nothing to do with them. If the bank took security from other assets, whilst the build process is underway, the bank is protected. The loan can then be restructured on completion of the build when the rental income is in place and the business directly able to service the loan as per the original proposal.

4. However, I do feel bank lending has got too generous which has, possibly, led to house prices running away and put people under a lot of financial pressure. I recall 30-35 years ago, in the UK, the most we were able to borrow was 4 times our income. Feel limits should be pulled back to this level.

Finally, robust, and enforced, affordability assessments are crucial. Even Buy Now Pay Later's (BNPL) need to be tested – giving someone instant access to $1k is another recipe for disaster. I am pleased to report that, even without me asking, after two moratorium periods, one provider has just written a debt off for a client and closed the account. BNPL should also NOT be available for essential purchases like food. This is something people should not be encouraged to get into debt over. BNPL for something like food is as bad as a pay day lender loan encouraging people into a cycle they then struggle to get out off.

Thank you for considering this submission.

My contact details are below if you wish to discuss any aspect of this submission further.

Kind regards,

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Nicole Huddleston

Financial Mentor

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