

Name	
Email address	

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We've heard that Kiwis are facing problems when borrowing and lending. . .



We've heard that Kiwis are facing issues when borrowing and lending:

Have you experienced problems with consumer credit? What happened?

Yes.

The [redacted] provided the sum of \$223.59 on 27.04.18 to myself as an unarranged overdraft. Upon questioning the transaction with [redacted] customer service representative I was advised the loan was extended in part due to being in receipt of a "steady income stream". I should explain the income stream he was referring to is in fact an \$80.00 a fortnight private loan repayment. As for a number of months there has been no other income received through my [redacted] account. It is also worth mentioning that at the time of being provided the loan product my account balance was \$0.47 cents.

The [redacted] is blatantly avoiding its obligations under the Credit Contracts Consumer Finance Act (CCCFA) by distorting definitions of the words agreed and unarranged. An act that is at best predatory and undertaken at a cost of further hardship to the borrower by the non-disclosure of key information.

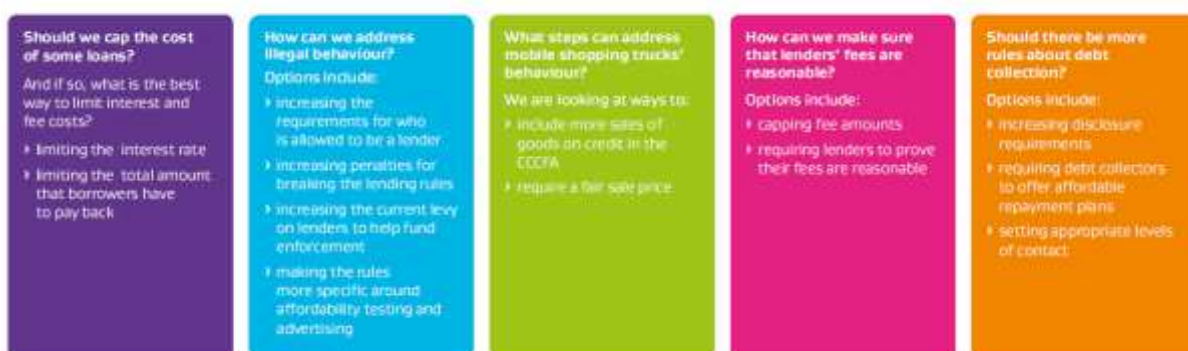
To avoid this practice in future, unarranged overdrafts should be restricted to a dollar value of \$100.00 or less. Also, that [redacted] need inform consumers before providing unarranged overdrafts in order for them to make an educated decision on whether the loan product including interest fees and charges is fit for purpose.

Are these issues serious enough to need a change in the law?

Yes

Law changes could help fix these problems.

Here are some ideas for how to fix these problems. Tell us what you think.



Tell us your thoughts on them.

- Affordability cap on protected consumer income.
- Restricting advertising including the location and content of (see photos attached) supermarket locations, deceptive advertising “first loan free” and a ban on unsolicited offers.
- Require consumer lease providers to advertise the total price charged on the life of the loan, particularly where the advertisements feature a weekly repayment amount for a product.
- No longer allowing creditors such as payday lenders and consumer lease providers to use unsolicited door to door sale methods.
- Strict criteria for brokers of finance products to ensure they act in consumer’s best interests including reviewing commission and incentive structures with regard to the sale of credit.
- Database for payday loans and consumer leases to avoid consumers obtaining multiple loans at the same time. Placing the onus back on the lender to assess capacity and serviceability.
- Caps on fees and charges including establishment, early termination, monthly fees and interest rates charged.
- Maximum base prices set for the total cost of each individual leased item.
- Greater authority awarded to the regulator in order to penalise credit providers who breach the credit act and ensure these penalties work on a percentage base to ward off profit making from maladministration.
- To improve compensation remedies available for victims in cases of proven irresponsible lending and predatory practises including the waiver of debts owed. Also for consumers to not be liable for future payments and be entitled to recover any amounts already paid under the contract in the event of misconduct.

What are the pros and cons of these ideas?

Are there other solutions that would work better?

- Greater funding for consumer advocates ie; budget advisors.
- Regarding debt collection for implementation ideas, please see: Australian debt collection guideline for collectors & creditors by ACCC/ASIC.
- For assistance around hardship policy changes, please see: Australian National Consumer Credit Protection Act 2009 (NCCP) in particular note:
Responsible lending under the NCCP: a credit assistance provider must, after making reasonable inquiries and taking reasonable steps to verify information, make a “preliminary assessment” about whether the consumer’s contract or changes to the consumer’s contract will be not “unsuitable”, and a credit provider must, after making reasonable inquiries and taking reasonable steps to verify information, make a “final assessment” about whether the consumer’s contract or changes to the consumer’s contract will be not “unsuitable”. A loan will be not unsuitable if: it meets the consumer’s requirements and objectives, and the consumer has the capacity to repay the loan without experiencing substantial hardship.

<https://www.fos.org.au/the-circular-5-home/responsible-lending-conduct-obligations-maladministration/>

If you need more information about the issues Kiwis are facing or the proposed solutions, [visit our website](#).

Thank you for contributing. Your ideas will help find the best ways forward.

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