

Submission on discussion document: Consumer Credit Regulation Review

Your name and organisation

Name	Steve Brown
Organisation	Million (formerly Dun & Bradstreet)

Responses to discussion document questions

Regarding the excessive cost of some consumer credit agreements

1	Do you agree that the problems identified with high-cost lending (even where it is compliant with the CCCFA) are significant? Do you have any information or data that sheds light on their frequency and severity?
	<i>No response.</i>
2	Do you support any of the extensions of Cap Option A? What would be the impact of these extensions on borrowers, lenders and the credit markets? Do you have any information or data that would support an assessment of the impact of these extensions?
	<i>No response.</i>
3	Do you agree with our assessment of the costs and benefits of the options for capping interest and fees? Are any costs or benefits missing? Do you have any information or data that would help us to assess the degree or estimate the size of these costs and benefits?
	<i>No response.</i>
4	Do you have any suggestions for the design of options for capping interest and fees? If so, what would be the impact of your proposed design on borrowers, lenders and the credit markets?
	<i>No response.</i>
5	Which interest rate cap options, if any, would you prefer? Which interest rate options would you not support? Please explain how you made your assessment.
	<i>No response.</i>

Regarding continued irresponsible lending and other non-compliance

6	If directors have duties to take reasonable steps to ensure that the creditor complies with its' CCCFA obligations, should any duties apply to senior managers?
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	<i>No response.</i>
7	If there are to be more prescriptive requirements for conducting affordability assessments, what types of lenders or loans should these apply to?
	<i>No response.</i>
8	Should there be any change to the requirement that lenders can rely on information provided by the borrower unless the lender has reasonable grounds to believe the information is not reliable? What would be the impact of such a change on borrowers, lenders and the credit markets?
	<p>Privacy Legislation was amended in 2012 allowing increased data exchanges between Credit Providers and Credit Reporters. This change allowed for Comprehensive Credit Reporting Information to be included in an individual's credit file.</p> <p>While illion, as one of three credit bureaux (Credit Reporters) operating in New Zealand, strongly supported this change as being in the interest of borrowers, it notes that the use of this data in loan suitability assessment has not subsequently become universal. The routine use of this information by Credit Providers would allow them to make better informed and more responsible credit decisions by taking into account an independent view of the applicant's existing credit obligations. As has been shown through global experience with CCR, its effective implementation and widespread adoption means borrowers with positive credit histories have more opportunities to benefit from their actions and behaviour. Better information means people previously excluded because of a lack of complete and accurate information are able to access mainstream credit (ie as opposed to being unable to borrow at all, or reverting to unscrupulous credit providers).</p> <p>Comprehensive information includes an individual's credit history and current credit, including repayment history. . This allows Credit Providers to be significantly better informed on the level of debt an individual may hold as well as their capacity to manage any further applications for credit. While this legislative change was a positive step, illion believes that Credit Providers still do not have access to critical elements such as the account balance and the amount of each monthly payment. Under the current system, consumers may omit existing debts when making an application for further credit. As a consequence, Credit Providers are unnecessarily reliant and limited to the information provided by the consumer, without the benefit of an independent source such as a Credit Reporter's data</p> <p>illion maintains that mandatory access to additional Credit Reporting Data will assist lenders to make better informed credit decisions and allow Credit Providers to further improve responsible lending practices. To achieve the public interest outcomes outlined in the Discussion Paper, illion supports the greater use of available Comprehensive Credit information and additional Comprehensive Data sets that are currently not available.</p> <p>More and better information means more opportunities for credit providers to help and work with individuals, particularly those who struggle to access credit.</p>
9	Do you consider there should be any changes to the current advertising requirements in the Responsible Lending Code? If so, what would be the impact of those changes on borrowers, lenders and the credit markets?
	<i>No response.</i>
10	Do you agree with our assessment of the costs and benefits of the options to reduce

	irresponsible lending and other non-compliance? Are any costs or benefits missing? Do you have any information or data that would help us to assess the degree or estimate the size of these costs and benefits?
	<i>No response.</i>
11	Do you have any suggestions for the design of options for reducing irresponsible lending and other non-compliance? If so, what would be the impact of your proposed options on borrowers, lenders and the credit markets?
	<i>No response.</i>
12	Which options for reducing irresponsible lending and other non-compliance would you support? Which would you not support? Please explain how you made your assessment.
	<i>No response.</i>

Regarding continued predatory behaviour by mobile traders

13	Do you agree with our assessment of the costs and benefits of the options for covering additional credit contracts under the CCCFA? Are any costs or benefits missing? Do you have any information or data that would help us to assess the degree or estimate the size of these costs and benefits?
	<i>No response.</i>
14	Do you have any suggestions for the design of options for covering additional credit contracts under the CCCFA? If so, what would be the impact of your proposed options on borrowers, lenders and the credit markets?
	<i>No response.</i>
15	Which options for changes to cover additional credit contracts would you support? Which would you not support? Please explain how you made your assessment.
	<i>No response.</i>

Regarding unreasonable fees

16	If prescribed fee caps were introduced, who should they apply to, and what process and criteria should be used to set them?
	<i>No response.</i>
17	Do you agree with our assessment of the costs and benefits of the options for capping interest and fees? Are any costs or benefits missing? Do you have any information or data that would help us to assess the degree or estimate the size of these costs and benefits?

	<i>No response.</i>
18	Do you have any suggestions for the design of options for reducing unreasonable fees? If so, what would be the impact of your proposed options on borrowers, lenders and the credit markets?
	<i>No response.</i>
19	Which options for changes to fees regulation would you support? Which would you not support? Please explain how you made your assessment.
	<i>No response.</i>
20	Have you seen issues with excessive broker fees, or other unavoidable fees charged by third parties, being added to the loan? If so, are there any specific changes that should be made to the regulation of third-party fees? What would be the impact of these changes on lenders, borrowers and third parties?
	<i>No response.</i>

Regarding irresponsible debt collection practices

21	Is this an accurate picture of the problems for consumers experiencing debt collection? Do you have information that confirms or refutes these issues, or sheds light on how widespread or severe they are?
	<i>No response.</i>
22	What information should be provided to borrowers by debt collectors? When and how should this information be provided?
	<p>illion’s debt collection business (Milton Graham) receives debts from various sources including service providers where the debt may be as a consequence of an invoice. We note that not all Debt Collection Agents (DCAs) deal with borrowers where a credit contract may exist.</p> <p>Milton Graham does not support mandatory requirements being supplied to the debtor as part of the initial contact process. This is inconsistent with varying contact methods (telephone, e-mail, text etc) where initial contact methods may allow speedy resolution and minimal costs to the consumer. Mandatory requirements are likely to extend the collection process and complicate communications where the debt is not in dispute.</p> <p>Under these circumstances, we believe it is fair and reasonable for DCAs being required to substantiate any debt where a dispute exists with the initial credit/service provider. This information should be available on request to the debtor and provided within a reasonable timeframe.</p>
23	Do you agree with our assessment of the costs and benefits of the options for addressing irresponsible debt collection? Are any costs or benefits missing? Do you have any information or data that would help us to assess the degree or estimate the size of these costs and benefits?

	<i>No response.</i>
24	<p>Do you have any suggestions for the design of options for addressing irresponsible debt collection? In particular, what is an appropriate frequency of contact with debtors before (and then after) a payment arrangement is entered into? Please state the likely impact of your proposed options on borrowers, lenders and the credit market.</p>
	<p>Milton Graham supports the development of a Code of Practice to ensure that Consumers are treated fairly in debt collection. A Code would be mutually beneficial for consumers and DCAs and also ensure a level playing field across a competitive industry where scrupulous operators (i.e. those committed to compliance and fair consumer outcomes) do not operate at a disadvantage to those who behave in an unscrupulous way.</p> <p>Milton Graham would also support DCA's being required to be members of a professional accreditation / representative body to ensure professional standards are developed and adhered to. This would create a stronger compliance focus and enhance consumer protection.</p> <p>We would encourage any contact frequency rules that are to be established to be consistent with those stipulated in the ASIC/ACCC Debt Collection Guidelines in Australia, where Milton Graham also operates. These are broadly perceived to operate fairly and effectively.</p>
25	<p>Which options for changes to the regulation of debt collection would you support? Which would you not support? Please explain how you made your assessment.</p>
	<p>While we have established a robust complaint management process within Milton Graham, we do not support extending the requirements for DCA's to be members of an EDR scheme. This is not to penalise consumers but simply to avoid matters that fall outside the scope of an EDR scheme due to the nature of the contract with the consumer or service provider suddenly becoming part of the EDR scope.</p> <p>We acknowledge that those consumer debts based on contracts from credit providers (already covered by EDR) will continue in this capacity.</p>

Regarding other issues

26	<p>Are you seeing harm from loans to small businesses, retail investors or family trusts as a result of them not being regulated under the CCCFA?</p>
	<i>No response.</i>
27	<p>Do you think small businesses, retail investors or family trusts should have the same or similar protections to consumers under the CCCFA? Please explain why/why not.</p>
	<i>No response.</i>
28	<p>Are there any other issues with the CCCFA or its impact on vulnerable people that are not addressed in this discussion paper? If so, what options should MBIE consider to address these issues?</p>
	<i>No response.</i>

Any other comments

We welcome any other comments that you may have.

No response.