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Competition & Consumer Policy
Ministry of Business, Innovation & Employment
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Emailed to: consumer@mbie.govt.nz

ICNZ submission on review of consumer credit regulation discussion paper

Thank you for the opportunity to submit on the discussion paper “Review of consumer credit regulation”, which was released by the Ministry in June 2018. ICNZ represents general insurers who insure about 95 percent of the New Zealand general insurance market, including over half a trillion dollars’ worth of New Zealand property and liabilities.

We agree that accessing credit can help New Zealanders achieve a long-term standard of living and meet the goals of individuals and families if done in a safe and affordable way. A credit contract is however a liability to any consumer and that liability can be mitigated with appropriate insurance cover, when sold responsibly and disclosed properly.

ICNZ considers it is vital that New Zealand consumers have trust in the financial services sector. ICNZ supports a regulatory environment that requires responsible practices by providers and puts the interests of consumers first. Financial services providers that do not meet regulatory expectations should be subject to robust enforcement action.

The discussion paper outlines situations where the approaches and actions of some credit providers have resulted in financial hardship and spiralling debt for some consumers. Such outcomes can be disastrous for individual and families and reduce confidence in the financial services sector more generally.

We are aware that in 2015 major changes were made to the regulation of credit contracts and the Responsible Lending Code was introduced. Notwithstanding these positive steps the discussion paper indicates ongoing concerns related to the high costs of some consumer credit, high fees in some cases and “predatory behaviour” by mobile traders. It also notes significant levels of non-compliance and the existence of illegal lenders. This is significant as when considering regulatory change it is critical to distinguish issues associated with gaps in regulatory provisions from those associated with non-compliance, particularly where there is evidence there are lenders who are deliberately flouting the current law.

ICNZ does not have specific views on the proposals in the discussion paper but supports regulatory changes being considered if these are required to address clear gaps in the regulatory regime. We consider it is equally, if not more important, that compliance and enforcement activity is resourced sufficiently to ensure high levels of compliance with the law.

The overall aim should be a regulatory framework that supports the provision of credit to consumers on reasonable commercial terms whilst negating to the greatest extent possible the activities of irresponsible lenders. It is important to ensure both that unscrupulous lenders aren't able to change their processes to avoid the law or to simply ignore it, and that the undue compliance costs are not imposed on scrupulous lenders. It would be counterproductive if regulatory changes had the effect of driving vulnerable consumers towards less reputable and more irresponsible lenders.

Thank you again for the opportunity to submit on the discussion paper. If you have any questions, please contact our Regulatory Affairs Manager on

Yours sincerely,

Tim Grafton
Chief Executive

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Regulatory Affairs Manager