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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:

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**Have you experienced problems with consumer credit? What happened?**

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No

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

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Yes. As you have no doubt heard from many sources already, these credit deals are exorbitantly expensive, with penalties for failure to meet the conditions and intimidating methods of enforcing the penalties, and they are often targeted at the most vulnerable people and families at the most vulnerable times (when money is needed for essentials before the next benefit payment).

This can result in a spiral of indebtedness which can be practically impossible to recover from, leading to relationship breakups, gambling, drug addiction, mental health statistics, homelessness, and other dire consequences.

These impact on whole communities, and all of us who have to deal with (and pay for) the consequences.

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Law changes could help fix these problems

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




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**Tell us your thoughts on them.**

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I am tempted to say “All of the above”, but this would not be very helpful.

However it is clear that no one simple measure will deal with this situation – it needs a comprehensive solution with many changes combining to improve the situation.

It should apply to all financial institutions, including banks and finance companies, as these have also failed to inform their clients properly and used unfair agreements as shown by the Australian investigation into the parents of our most significant banks. There could be separate sections to cope with the different operations, but all having to comply.

It should be as flexible as possible so that it can respond to changing circumstances. For example the (independent) regulating authority should have powers to adjust such things as the interest rate limit, increasing the levy on lenders to help fund enforcement, capping fee amounts, etc.

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### **What are the pros and cons of these ideas?**

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Measures will need to be chosen and combined so that their strengths complement each other; their strengths are maximised and their weaknesses are minimised.

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### **Are there other solutions that would work better?**

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Can the burden of proof that a transaction is fair and reasonable and meets all the criteria be made the responsibility of the lender, so that the borrower does not have to go through an expensive and time-consuming process to repudiate a transaction.? This could be combined with the ability to penalise the lender and to recover the money (including the interest, fees, etc.) from the lender.

Combine this with a requirement for lenders to inform borrowers of this at the time of the transaction. If they can't prove they have done this then the transaction would automatically be voided. This would give a better balance of power between borrower and lender – give a more level playing field – enabling clients/customers to take back control of their own finances.

This is necessary for a lasting solution.

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*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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