

Submission on discussion document: Consumer Credit Regulation Review

Your name and organisation

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Organisation: Thames Coromandel Hauraki Women's Loan Fund/ Wahine Putea	

Responses to discussion document questions

Our responses only apply to lenders not registered with the Reserve Bank and not for profit lenders.

Regarding the excessive cost of some consumer credit agreements

1	<p>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?</p> <p><i>YES. We see it when we are unable to make a loan. As responsible lenders, we only lend to people who can afford to pay us back.</i></p>
2	<p>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?</p> <p><i>YES. We support the accumulation of interest and fee limit to 100% of the loan principle. (EIR-Equivalent interest rate and we would also include ALL third party fees)</i></p>
3	<p>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?</p>
4	<p>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?</p> <p><i>Cap on EIR as in other countries.</i></p>
5	<p>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.</p> <p><i>Prefer option A as applied to payday loans and car loans. Option B cap is too high. Option C</i></p>

with a 30-50% cap and 100% over the life of the loan is preferred.

Regarding continued irresponsible lending and other non-compliance

6	<p>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?</p>
	<p><i>Of course!</i></p>
7	<p>If there are to be more prescriptive requirements for conducting affordability assessments, what types of lenders or loans should these apply to?</p>
	<p><i>All lenders, except those lenders registered with the reserve bank and not for profit lenders.</i></p>
8	<p>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>
	<p><i>Yes, the lender is responsible for the collection of information on the borrower. He lender should view bank statements, a print out of income and research for any previous bankruptcy and credit history. If the borrower cannot pay the loan back due to hardship, the lender should only receive the principle amount of the loan back.</i></p>
9	<p>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?</p>
	<p><i>We feel advertising has normalised debt to communities that can least afford it. In my classroom students sing the M double O L-A advertising jingle, making borrowing seem so easy and fun. There needs to be more responsible advertising regarding acquiring loans.</i></p>
10	<p>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?</p>
	<p><i>All for profit lenders, not registered with the Reserve Bank, should meet increased registration and license compliance.</i></p>
11	<p>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</p>

	borrowers, lenders and the credit markets?
	<i>The lender is responsible for the collection of information from the borrower. If the borrower cannot pay the loan back due to hardship, the lender should only receive the principle amount of the loan back.</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>The lender is responsible for the collection of information from the borrower. If the borrower cannot pay the loan back due to hardship, the lender should only receive the principle amount of the loan back.</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>All for profit lenders, not registered with the Reserve Bank, should meet increased registration and license compliance by CCCFA.</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>All for profit lenders, not registered with the Reserve Bank, should meet increased registration and license compliance by CCCFA.</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>We support both options. Option A because any contract charging default fees would be a Consumer credit contract and option B because it prohibits credit sales of personal goods and services where the price of the goods and services exceeds the cash price of the goods or services.</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>The option B process should be imposed to set specific fee caps under regulation and this should apply to all for profit lenders.</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?
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>Total cap of all costs for CCCFA loans.</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>Option B</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?

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>We don't have the experience to comment in this category.</i>
22	What information should be provided to borrowers by debt collectors? When and how should this information be provided?

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?

24

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.

25

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.

Regarding other issues

26

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?

We don't have the experience to comment in this category.

27

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.

28

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?

Any other comments

We welcome any other comments that you may have.

Our main concern is to have some cap on equivalent interest rates to protect the most vulnerable members of our society.

Make legislation for consumer finance as strong as the protection for consumer products (CGA).

“Don’t give a person in a sinking ship a concrete life jacket.”