

Changes to lending and how it affects you

What are the changes?

The New Zealand government has made some changes to how money is lent to consumers to help protect you against unaffordable debt.

This means that all financial institutions in New Zealand will be taking extra steps to ensure loans are both suitable and affordable for the applicant. It may therefore take you longer to complete a loan application as additional information will be needed to assess your financial situation.

Why are they making the changes?

The changes are being made to ensure you can pay off a loan without getting into financial difficulty.

Lenders will now need to make specific enquiries into your needs and objectives to help ensure the loan is suitable, in addition to effectively assessing your income and expenses to ensure they are satisfied that the repayments will not cause financial hardship.

How does this impact you?

- You will need to provide your lender with detailed information about your financial situation, including your income, debts, and expenses. Lenders may ask for documents showing your recent transaction history, or other information that allows them to verify your debts and expenses.
- The credit application process may seem longer and more involved, even if you are only applying for a small loan or a top up to existing credit.
- You may find that some lending, which was previously considered responsible, will no longer be approved.

Who do the changes apply to?

All financial institutions within New Zealand who provide credit, lease out goods, operate or promote buy back schemes i.e. banks, credit unions, finance companies, lenders etc. The changes exclude buy now pay later facilities.

When do the changes come into effect?

Wednesday 1 December 2021.

What are my responsibilities as a consumer?

- Act honestly and provide complete and accurate information when entering a credit contract.
- Check the lending is suitable and affordable for your circumstances before you proceed.
- Ensure you have read and understand the contract terms and conditions. Seek legal advice if you don't understand.
- Contact your lender if your circumstances change or something needs updating.
- Contact your lender or a financial mentor as soon as possible if something goes wrong, so they can provide help and discuss options.

Legal information: The Credit Contracts and Consumer Finance Act 2003 or 'CCCFA' requires all lenders who enter into 'consumer credit contracts' in New Zealand to take necessary steps to lend responsibly, including checking that lending is suitable and affordable. Anyone found to be breaking this law could be taken to court by the Commerce Commission, which enforces those lending laws. The CCCFA was reviewed in 2019 to include stricter rules around how lenders must make their decisions to lend, to help further protect consumers from unaffordable debt. The changes to the CCCFA were included in the Credit Contracts Legislation Amendment Act, new Regulations under the CCCFA, and the updated Responsible Lending Code. Most of these changes came into effect on 1 December 2021.