MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

LABOUR & COMMERCIAL GROUP

Credit-related Disclosure and Rebate Regulations

Discussion Document – November 2014

New Zealand Government

Contents

Credit-related Disclosure and Rebate Regulations – Discussion Document

The Credit Contracts and Consumer Finance Amendment Act 2014 (the **Amendment Act**) introduced new disclosure and rebate requirements for creditors. These new requirements will come into force by 6 June 2015.

The Ministry of Business, Innovation and Employment (the **Ministry**) is developing regulations which will give effect to a number of these new requirements.

These include regulations to:

- give effect to new costs of borrowing and initial disclosure obligations, specifically to:
  - prescribe the "costs of borrowing" information which lenders must make publicly available; and
  - update the "model disclosure statements" to reflect the additional key information which must be provided;
- prescribe a minimum repayment warning for credit card statements; and
- provide formulae for creditors to calculate proportionate rebates of repayment waivers and extended warranties upon prepayment.

The Ministry seeks your views on the content of these regulations.

Your submission – how to comment, timeframe and publication

This discussion document includes questions you may like to respond to in your submission. The questions are listed in full on pages 20 to 21 of this document. Your submission does not have to answer all of these questions. You can also include other comments you feel may be helpful.

Send us your submission by 5pm on Monday 1 December 2014

Email your submission, attached as either a Microsoft Word (.doc) or Acrobat (.pdf) document, to consumer@mbie.govt.nz.

Or you can post it to:

CCCFA Regulations
Competition and Consumer Policy Team
Ministry of Business, Innovation and Employment
PO Box 1473, Wellington 6140

Publication and release of your submission

All submissions will be subject to the Official Information Act 1982 and may be released in part or full, subject to the withholding grounds contained in the Act. The Ministry intends to publish submissions on its website, unless the submitter requests otherwise. Please let us know, giving your reason under the Act, if you do not want us to publish all or part of your submission.

Timeframe for developing the regulations

The new provisions in the Amendment Act must come into force by 6 June 2015. We intend to have the regulations published by April 2015 to give lenders time to adapt their processes if necessary to comply with the regulations.

We will be using the feedback received on this discussion document to help us develop the regulations.

See Changes to credit laws (http://www.consumeraffairs.govt.nz/legislation-policy/changes-to-credit-laws) on our website for up-to-date information about the development of the credit reforms.

Permission to reproduce

The copyright owner authorises reproduction of this work, in whole or in part, so long as no charge is made for the supply of copies, and the integrity and attribution of the work as a publication of the Ministry is not interfered with in any way.

Disclaimer

Views expressed in this document are those of the Ministry and do not reflect government policy. Readers should seek advice from an appropriately qualified professional before undertaking any action in reliance on the contents of this document. The Crown does not accept any responsibility whether in contract, tort, equity or otherwise for any action taken, or reliance placed on, any part, or all, of the information in this document, or for any error or omission from this document.

ISBN: 978-0-478-43337-1

First Published November 2014
Labour and Commercial Environment Group
Ministry of Business, Innovation and Employment
PO Box 1473
Wellington
New Zealand
www.mbie.govt.nz.

Credit reforms and this discussion document

Reforms to credit laws

1. Credit provides consumers with greater flexibility in how they manage their finances and purchases. Access to credit can improve consumer wellbeing, but over-indebtedness from irresponsible lending and borrowing can harm consumers.

2. There have been a number of changes to the laws that cover consumer credit. The main changes are to the Credit Contracts and Consumer Finance Act 2003 (the CCCFA), which is the primary law that regulates the provision of consumer credit and sets out ongoing obligations of those who provide credit. The CCCFA will also be expanded to include provisions from the Credit (Repossession) Act 1997, which is being repealed.[1]

3. The changes are being made through the Amendment Act, which was passed into law on 6 June 2014. Most of the changes have not yet taken effect, but will do so by 6 June 2015. See Credit Contracts and Consumer Finance Amendment Act 2014 (http://www.legislation.govt.nz/act/public/2014/0033/latest/DLM5146306.html) to view the Amendment Act.

4. The aim of updating the CCCFA is to:
   - ensure that creditors lend to consumers and manage consumer credit contracts responsibly; and
   - provide improved protection for vulnerable consumers.[2]

5. Through a parallel but separate process, the Ministry is currently developing a Responsible Lending Code, which will provide guidance to assist lenders to comply with new lender responsibility principles included in the Amendment Act. You will also have an opportunity to comment on a draft Responsible Lending Code.

6. Separately, further regulations are being developed as part of the implementation of the Amendment Act. The proposed regulations will give effect to licensing arrangements for repossession agents, give effect to a new infringement offence regime and exempt specific arrangements from particular provisions of the CCCFA. See Credit review (http://www.consumeraffairs.govt.nz/legislation-policy/policy-development/credit-review) on our website for more information on these regulations.

This discussion document

7. The purpose of this document is to seek submissions on the development of regulations which are required to give effect to new disclosure and rebate requirements in the Amendment Act.

8. These include regulations to:
   a. give effect to new costs of borrowing and initial disclosure obligations, specifically to:
      i. prescribe the "costs of borrowing"[3] information which lenders must make publicly available; and

[1] The Private Security Personnel and Private Investigators Act 2010 and the Personal Property Securities Act 1999 are also being amended.

[2] See Explanatory Note to the Credit Contracts and Financial Services Law Reform Bill.

ii. update the model disclosure statements to reflect the additional key information which must be provided;

b. prescribe a minimum repayment warning for credit card statements; and

c. provide formulae for creditors to calculate proportionate rebates of repayment waivers[4] and extended warranties upon prepayment.

9. In order to give effect to the Amendment Act, these regulations need to be in place by 6 June 2015.

10. This discussion document is divided into three main sections. The first section covers regulations relating to costs of borrowing and initial disclosure obligations, the second covers the minimum repayment warning for credit cards, and the third covers the formulae for proportionate rebates.

11. We will use the information provided in response to this discussion document to assess the content of the proposed regulations. In making that assessment, we propose to consider the following key criteria:

a. giving effect to the purpose of the updated CCCFA, in particular:

i. to protect the interests of consumers;

ii. to promote the confident and informed participation in credit markets by consumers; and

iii. to promote and facilitate fair, efficient, and transparent credit markets;

b. promoting certainty for lenders (and the enforcement agency);

c. minimising compliance costs; and

d. not unnecessarily restricting consumer access to credit.

[3] "Costs of borrowing" includes credit fees, default fees and interest charges.

[4] A repayment waiver is an agreement between a creditor and a debtor under which the creditor agrees, for an additional payment, to waive the creditor's right to any amount payable under the credit contract in the event of the debtor's unemployment, sickness, injury, disability or death.

Part One: Costs of borrowing and initial disclosure

Purpose and objectives relating to disclosure of information

12. When consumer credit markets are working well, consumers are able to make informed choices about credit products. This in turn provides incentives for lenders to compete to provide credit products at competitive prices that reflect the risks associated with different types of borrowers.

13. Notably, the market for consumer credit is often characterised by information asymmetry between lenders and borrowers. Information disclosure assists borrowers to make informed decisions.

Current framework for disclosure

14. The CCCFA currently requires four types of consumer credit disclosure: initial disclosure; continuing disclosure; variation disclosure; and request disclosure.

15. Regulations currently set out "model disclosure statements" for initial disclosure. The CCCFA also includes rules relating to the disclosure of guarantees and credit-related insurance policies.

16. Since 2007, Ministers of Consumer Affairs have held four "financial summits" aimed at gauging the effectiveness of the CCCFA and assessing potential solutions to the problems identified. Problems relating to disclosure were identified, including:[5]

    - delayed disclosure and terms differing from what consumers expected (in particular, prepayment fees being higher than expected); and
    - consumers being unaware of the implications of making minimum credit card repayments.

17. Specific problems relating to the disclosure requirements under the CCCFA included the following:[6]

    - Creditors disclose the required information in different ways, making comparisons difficult.
    - Initial disclosure can occur up to five days after a credit contract is entered into, meaning that consumers are not being afforded the protection of disclosure prior to entering a credit contract.
    - Generally, information available to the market on the cost of credit is limited because disclosure information is transaction-specific, and essentially private. Again, this makes comparisons difficult.
    - Credit-related insurance can be a significant additional cost, and disclosure of the terms of these policies is not required until 15 working days after the contract is entered into.

[5] See Credit Contracts and Financial Services Law Reform Bill, Initial briefing to the Commerce Committee, 24 October 2013.

[6] See Credit Contracts and Financial Services Law Reform Bill, Initial briefing to the Commerce Committee, 24 October 2013.

The Amendment Act

18. In order to better protect the interests of consumers, the Amendment Act has strengthened the disclosure requirements. For example, the Amendment Act has added to the "key information" that creditors must disclose, and requires creditors to disclose that information before a contract is entered into (whereas creditors currently have the ability to disclose the information up to five days after the contract is made).

19. The Amendment Act also introduces new forms of disclosure, requiring creditors to make standard form contract terms and information about all the costs of borrowing publically available.

20. To support these disclosure requirements, the Amendment Act provides for wide regulation-making powers (in addition to the existing power to amend the model disclosure statements). The powers encompass the form, manner and content of disclosure, and are set out in more detail below.

Costs of borrowing

21. From June 2015, under new section 9K (inserted by section 9 of the Amendment Act), every creditor must ensure that information about "all the costs of borrowing" in relation to "every class of credit contract" offered by that creditor is publicly available. In making such information publicly available, creditors must set out the information prescribed by regulations (new section 9K(6)(a)).

22. New section 9K provides that the "costs of borrowing" information must be displayed prominently on the creditor's website (if it has one) and that a copy of the information must be supplied immediately and free of charge to any person who requests it. If a creditor operates from business premises that are accessible to the public, the creditor must display prominently and clearly on those premises a notice that a copy of the information about those credit fees, default fees and rates is available on request (free of charge).

23. Regulations setting out the nature of the prescribed information are being developed under section 138(1)(dc) of the CCCFA, which may be used to prescribe the particular matters required to meet requirements under the Act for publication, disclosure, notice or other provision of information. Through this discussion document, we are seeking feedback about the information that the disclosure should contain.

24. Creditors must also set the required information out in the form prescribed by regulations under the Act (new section 9K(6)(b)), if such a form is prescribed. We are not currently proposing to prescribe a form (i.e. format) through regulations. We intend to assess how creditors present information about costs of borrowing in practice, and then determine whether a prescribed form would be necessary and/or useful. However, we are interested in any views you might have on this.

What is "costs of borrowing"?

25. From June 2015, a creditor's "costs of borrowing" will include credit fees, default fees and interest charges (see amendments to the definitions of "credit fees" and "interest charge" made by section 6 of the Amendment Act).

26. “**Credit fees**” are fees or charges payable:

- by the debtor under a credit contract; or
- by the debtor to (or for the benefit of) the creditor in connection with a credit contract;

and includes:

- establishment fees (see definition in section 5), which are the fees or charges payable under the credit contract that relate to the costs incurred by the creditor in connection with the application for credit, processing and considering that application, documenting the contract, and advancing the credit; but does not include any fee or charge to the extent that it is a charge for an optional service;
- prepayment fees (see definition in replaced section 43(2) of the CCCFA, section 6 of the Amendment Act), which are payable on part prepayment or full prepayment;
- insurance premiums payable for credit-related insurance if the creditor requires the debtor to obtain insurance cover from a particular insurer; and
- certain fees and charges payable to an associated person.[7]

27. “**Default fees**” are fees or charges payable on a breach of a credit contract by a debtor or on the enforcement of a credit contract by a creditor, but does not include default interest charges (see definition in section 5).

28. “**Interest charge**” is a charge that accrues over time and is determined by applying a rate to an amount owing under a credit contract, and includes a default interest charge.

Proposals

29. The purpose of requiring creditors to publicly disclose their costs of borrowing is to assist borrowers to more readily compare different products and shop around for a product that suits them.

30. For this to be effective, information will need to be current and provided at a level of detail and in a form that allows for meaningful comparison. However, in prescribing the information that must be provided on “costs of borrowing”, it is also important to consider the costs and practicality to creditors of publishing and updating information, and to take into account the new additional information that creditors must provide at initial disclosure.

31. With these things in mind, we have set out below what we consider the regulations could address.

Information about Fees

32. For fees, we propose that the regulations require creditors to:

    a. express fees in dollar amounts (if ascertainable);

    b. if the fees are based on a formula or calculation, detail the formula or calculation, or clearly describe the way the fee is calculated;

    c. if the fees vary based on particular factors (for example, whether the customer is new or existing), set out what those factors are; and

[7] “Credit fees” does not include interest charges; charges for an optional service; default fees; government charges, duties, taxes, or levies.

d. for each fee, note the name or category of the fee (e.g. establishment, prepayment or other credit fee or default fee) and, to the extent it is not clear from the name or category of the fee, the circumstances in which the fee will be charged.

Interest charges

33. For interest charges, we propose the regulations require creditors to:

 a. where a range of interest charges apply (a range is explicitly provided for in new section 9K(5) of the CCCFA), set out the factors that the creditor will consider in selecting an interest rate within the range (for example, the provision of security);

 b. disclose the applicable annual interest rate, or range of applicable annual interest rates;[8]

 c. disclose whether the interest rate is fixed or variable (or is otherwise subject to change by the unilateral power of the creditor); and

 d. if interest charges are set based on a reference rate, set out the applicable reference rate.

Time period

34. Given that a creditor's costs of borrowing will change over time, we propose that the regulations require a creditor to include the date from which the fees and/or charges will apply. If and when a lender's costs of borrowing change, the lender will need to update the publicly available information on costs of borrowing and include the date on which the updated information is published.

Questions for submitters:

1. What information about costs of borrowing do lenders currently make publicly available?
2. Will the information described at paragraphs 32 to 34 assist consumers in comparing different products?
3. What are the costs to creditors in publishing and updating the information described at paragraphs 32 to 34?
4. How often might a lender's "costs of borrowing" change?
5. Is there different information and/or further information about costs of borrowing that could be prescribed through these regulations? If so, please describe and set out the reasons why (e.g. potential benefits to consumers; potential compliance costs).
6. Would a prescribed form (i.e. format) of disclosing costs of borrowing assist consumers? Why/why not? If yes, how would you suggest the information be presented in a way that meaningfully assists consumers?

Model disclosure statements

35. To ensure that consumers have access to appropriate information to make informed decisions about credit products, creditors are required to disclose key information about a contract to a consumer before the contract is entered into (amended section 17 of the CCCFA, and section 15 of the Amendment Act). The key information required at initial disclosure is set out in Schedule 1 of the CCCFA.

[8] Annual rates of interest are required to be disclosed under new section 9K.

36. The Credit Contracts and Consumer Finance Regulations 2004 set out model disclosure statements that a creditor may use in disclosing required information to consumers (Schedule 2 of the regulations). Where a creditor uses one of these forms, they are treated as having complied with initial disclosure standards (sections 32 and 34 of the CCCFA).

37. The current model disclosure statements must be updated to reflect changes made by section 80 of the Amendment Act to the "key information" in Schedule 1 that creditors are required to disclose. Changes to the "key information" which must be disclosed include:

- adding the creditor's trading name (if different from the creditor's full name);
- increasing the detail required when describing a security interest connected with the contract (including information on any disabling device which is to be attached to goods which are subject to a security interest);
- removing the mandatory form of the "Statement of right to cancel", but retaining the requirement to set out a statement of the consumer's cancellation rights under section 27 of the CCCFA;
- adding a statement about the consumer's right to apply for relief on grounds of unforeseen hardship; and
- adding the creditor's financial service provider registration details as well as the name and contact details of the creditor's dispute resolution scheme.

38. We have set out suggested amendments to the current model disclosure statements (please see **Appendix Two: Proposed updates to model disclosure statements**), to reflect the above changes to the key information which must be disclosed. To comply with section 32(c) of the CCCFA, disclosure must express the required information clearly, concisely, and in a manner likely to bring the information to the attention of a reasonable person. We are interested in your views on the proposed changes to the existing forms.

39. We are not proposing to make more extensive changes to the model disclosure statements at this stage. We intend to assess how creditors meet their new disclosure requirements in practice, and then determine whether changes to the presentation of the model disclosure statements are necessary. However, we are interested in any views you might have on this, and whether you have examples of how the model disclosure statements might be usefully structured.

Questions for submitters:

7. Do you have any comments on the proposed amendments to the model disclosure statements (in particular, the drafting of the "right to cancel" and information on unforeseen hardship)?
8. From a creditor's perspective, what are the benefits of these model disclosure statements, and do you currently, or are you likely to, use them?
9. From a consumer's perspective, is the information in these model disclosure statements presented in a useful and clear way? If not, how could the model disclosure statements be improved?
10. Would you find it useful for the model disclosure statements to be provided in a Microsoft Word format on the Ministry's website?

Part Two: Minimum repayment warnings on credit card statements

Purpose and objectives of minimum repayment warnings

40. A minimum repayment warning is used to highlight to credit card holders the high costs of repaying a credit card balance by making only the minimum repayment each month. It encourages borrowers to make better debt repayment decisions. In response to concerns about the level of consumer understanding of the consequences of only making the minimum repayment, the Amendment Act requires that a minimum repayment warning be included on all continuing disclosure statements for credit cards (section 16 of the Amendment Act amends section 19 of the CCCFA). This minimum repayment warning is to be prescribed in regulations.

41. This section of the discussion document seeks views on the possible form of the minimum repayment warning to be included on monthly credit card statements under the continuing disclosure requirements of the Amendment Act. Examples of minimum repayment warning statements from the United States, Australia and the United Kingdom are set out below.

42. We are seeking your views on the information that should be included in the minimum repayment warning, and whether the minimum repayment warning should include a warning statement only or whether the warning should include calculations on the individual cardholder's balance that quantify the savings made by making more than the minimum repayment each month.

Current framework

43. Under the continuing disclosure requirements of the CCCFA, credit card providers must provide a statement to credit card customers at least every 45 working days which includes information about the current balance on the card, any purchases made and the repayment obligations of the card holder.

44. Most credit card providers provide a statement monthly, in either hard copy or electronically, which includes a 'minimum repayment required'. This is the minimum amount that the card holder can repay by the due date to avoid being charged overdue or late payment charges. Card holders are able to make any payment on the card balance without overdue or late payment charges as long as it is equal to, or greater than, this minimum repayment.

45. However, the minimum repayment listed on monthly credit card statements can be as low as 2-3% of the balance and will only reduce the principal on the card by a very small amount after interest is applied and paid. Paying off the balance of a credit card by only making the minimum repayment each month can substantially increase the time it takes to repay the balance and increase the total amount of interest paid.

46. The tendency of consumers to focus only on the short term costs and benefits means that some consumers may choose to only make the minimum repayment listed on the monthly credit card balance, even though this means it will take much longer to repay the balance and cost more in interest. Including a minimum repayment figure on monthly credit card statements can impact the behaviour of card holders by 'anchoring' the impression for consumers that just paying this minimum amount is acceptable, which validates the consumer in making a repayment decision that is not necessarily in their best interests.[9]

---

[9] *Behavioural Economics and the Regulation of Consumer Credit*, Dr Richard Tooth, New Zealand Law Foundation, August 2012.

Questions for submitters on the status quo:

11. In your experience what proportion of credit card holders make only the minimum repayment each month? What proportion repays the balance in full each month?
12. What information is currently available to consumers regarding the costs of repaying the balance at the minimum repayment?
13. What information would be most helpful to consumers in alerting them to the costs of repaying the balance at the minimum repayment?
14. What other information and tools do credit card providers make available to credit card holders regarding the costs of repaying the balance at the minimum repayment? How often are these resources used by consumers? Do you consider them to be effective?

The Amendment Act

47. The Amendment Act requires a minimum repayment warning to be included on credit card statements, adding to the existing continuing disclosure provisions in the CCCFA. The form of this minimum repayment warning will be prescribed in regulations. Including a minimum repayment warning on monthly credit card statements helps borrowers make more informed debt repayment decisions by drawing the borrower's attention to the increased future costs of repaying the balance at the minimum repayment.

48. Warning statements are intended to provide a 'nudge' that mitigates the 'anchoring' effect of a minimum repayment on cardholder behaviour and influences them to make higher payments, reducing the balance faster and lowering the total amount of interest paid. Evidence suggests that minimum repayment warning statements which include calculations are more effective at changing repayment behaviour of credit card holders than simple warning statements.[10]

Regulations for minimum repayment warnings on credit card statements

49. The Amendment Act allows for regulations to be made prescribing the information that is contained in these warning statements, how this information is presented, how amounts are calculated or determined, and the circumstances in which the warning or information is not required.

50. In developing the minimum repayment warnings under these regulations, it is important to consider the amended purposes of the CCCFA in developing the minimum repayment warnings. Protecting the interests of consumers needs to be balanced against any increase in compliance costs for lenders. In considering the form of the prescribed minimum repayment warning, we are seeking comment on how to achieve an appropriate balance.

Precedents

51. It is useful to consider how similar warnings have been adopted overseas when considering the possible form of the minimum repayment warnings to be prescribed in regulations. Aspects of these examples could be incorporated in our own minimum repayment warning.

---

[10] *Minimum Payment Warnings and Information Disclosure Effects on Consumer Debt Repayment Decisions*, Linda Court Salisbury, Journal of Public Policy and Marketing, Vol. 33(1), Spring 2014.

52. Minimum repayment warnings have recently been introduced in the United States, Australia and the United Kingdom. The United States and Australia include calculations of the savings made by paying more than the minimum repayment each month. In contrast, the United Kingdom minimum repayment warning is a warning statement only, with no calculations required.

Calculation-based minimum repayment warnings

53. A calculation based minimum repayment warning quantifies how long it will take and how much it would cost to pay off an outstanding balance at the minimum amount as compared to the total costs and savings of repaying the balance using a larger monthly repayment.

54. Academic evidence suggests that warning statements that include calculated information about the costs of making certain repayment strategies are very effective at changing repayment behaviour.[11] This is because the specified payment strategies, and the dollar figure costs and savings listed, make it easier for the consumer to assess the trade-offs between repaying just the minimum amount and a higher monthly repayment. In effect, the warning shifts the 'anchor' from the listed minimum repayment to the larger monthly repayment necessary to repay the balance in a shorter period of time.

55. Written warning statements, like those used in the United Kingdom, for example, do not include calculated information. The warning states the risk of only paying the minimum amount without quantifying either the length of time or total cost of repayment associated with doing so. This type of warning may be less effective at changing repayment behaviour as it does not clearly outline the impact of making a specific higher repayment as compared to the minimum repayment.

56. A written warning statement would likely have lower compliance costs for credit card providers than a calculation based minimum repayment warning. A written warning statement can be included in the same way on each billing statement, while a calculation based warning requires the credit card provider to include personalised calculations on each statement.

United States

57. The United States enacted the Card Accountability, Responsibility and Disclosure (CARD) Act of 2009 in response to problems with subprime credit cards that arose during the Global Financial Crisis and concerns of information asymmetry relating to credit card statements. The reforms introduced by the CARD Act include a prescribed minimum repayment warning that outlines specific information and calculations that must be disclosed to the card holder in a prominent and conspicuous location on each paper and electronic billing statement. The following information must be included:

    a. A minimum payment warning statement which outlines that, if the card holder makes only the minimum payment each month, the card holder will pay more in interest and it will take longer to pay off the balance.

    b. Disclosure of how long it will take (and how much it will cost) to repay the balance at the minimum repayment.

[11] *Minimum Payment Warnings and Information Disclosure Effects on Consumer Debt Repayment Decisions*, Linda Court Salisbury, Journal of Public Policy and Marketing, Vol. 33(1), Spring 2014.

c. The monthly payments required and how much it will cost to repay the card balance in three years, and how much would be saved compared to only making the minimum repayment each month.

d. A toll-free telephone number at which the consumer may receive information about accessing credit counselling and debt management services.

58. The Consumer Financial Protection Bureau (CFPB) provides the following example for how this information may be presented in a billing statement:

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:		
If you make no additional charges using this card and each month you pay	You will pay off the balance shown on this statement in about	And you will end up paying an estimated total of
Only The Minimum Payment	10 Years	$3,284
$62	3 Years	$2,232 *(Savings = $1,052)*
If you would like information about credit counseling services, call 1-800-xxx-xxxx.		

59. Where the minimum repayment amount exceeds the three-year repayment amount, the second line of the warning statement outlining the 3 year repayment alternative is not required.

60. The calculations made in the above minimum repayment warning are based on assumptions that the borrower pays the amount of the minimum payment mentioned in the statement of account each month, and that no other purchases or advances are added to the outstanding balance. It also assumes that the calculations made will be based on the interest rate in effect on the date of the statement.

61. Evidence suggests the CARD Act reforms have been successful at making credit card costs clearer to consumers. The Consumer Financial Protection Bureau, the Federal agency responsible for the CARD Act, conducted a survey of cardholders in February 2011 to test the effectiveness of the CARD Act reforms. Results indicated that 70 percent of cardholders had noticed that monthly statements now contain information about the consequences of making only minimum payments, and that 31 percent of cardholders who recall seeing the new information on their statement report that this information has caused them either to increase their payments or reduce their use of credit.[12]

Australia

62. Australia introduced a minimum payment warning for monthly credit card statements through regulations under the National Consumer Credit Protection (Credit Cards and Home Loans) Act 2011. This Act came into force on 1 July 2012 and introduced a range of reforms to credit cards including prescribing a minimum repayment warning closely based on the example in the United States CARD Act.

[12] *The CARD Act: One Year Later*, Consumer Financial Protection Bureau, February 2011.

63. Under the National Consumer Credit Protection Amendment Regulations, the minimum repayment warning must be provided on the front page of the statement of account in the following form:

Minimum Repayment Warning: If you make only the minimum payment each month, you will pay more interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay ...	You will pay off the Closing Balance shown on this statement in about ...	And you will end up paying an estimated total of interest charges of ...
Only the minimum payment	[period]	[total interest 1]
[repayment 2]	2 years	[total interest 2], a saving of [savings 2]

64. The Australian minimum repayment warning includes similar information to that provided by the United States CARD Act minimum repayment warning, and is based on the same assumptions. However there are some important differences:

   a. The Australian warning requires a calculation of the monthly payments, and subsequent interest savings of repaying the card balance in *two* years instead of three;

   b. The Australian warning outlines the *interest* that would be charged and saved under the two repayment strategies. The United States minimum repayment warning outlines the *total cost* to the consumer including interest and principal payments that would be paid under the two repayment strategies;

   c. The Australian warning includes the contact details of the credit card provider which the consumer can use to contact the provider if they experience repayment difficulty. The United States warning includes the contact details of an independent credit counselling service.

65. In Australia, the minimum repayment warning information does not need to be included in monthly statements in certain circumstances, including where:

   a. the outstanding balance on the statement is $50 or less;

   b. there is no outstanding balance;

   c. a payment arrangement is in effect that replaces normal monthly minimum repayment; or

   d. the time to pay off the closing balance making only the minimum payment is two years or less.

Non-calculation based written minimum repayment warnings

66. Minimum repayment warnings may prescribe a written warning statement which simply notes that there are increased costs involved in repaying the card balance at the minimum repayment. A non-calculation based written warning statement outlines the risk of only paying the minimum amount without quantifying either the length of time or total cost of repayment associated with doing so.

United Kingdom

67. The United Kingdom Lending Code, a self-regulatory Code for credit providers governed by the Lending Standards Board, outlines a written minimum repayment warning to be included on monthly credit card statements. The Lending Code was reviewed in 2013. Under the Lending Code a minimum repayment warning should be worded as follows:

    "*If you make only the minimum payment each month, it will take you longer and cost you more to clear your balance*"

68. The above 'minimum repayment health warning' was originally developed by the UK Cards Association, the trade association for the card payments industry in the UK, as part of its best practice guidelines for card providers. These guidelines outlined that this warning should be included on all credit card statements and be positioned close to the minimum repayment figure.

69. Although this minimum repayment warning is provided through a self-regulatory code, all major credit card providers in the United Kingdom currently subscribe to the requirements of the Lending Code and provide the 'minimum repayment health warning' on credit card statements.

Questions for submitters:

15. In your view, should the minimum repayment warning be a non-calculation based written warning statement, or should it include calculated information similar to that included in the United States and Australian examples? Why?
16. If the minimum repayment warning was to include calculated information, what calculations should be included?
17. If the minimum repayment warning was to include calculated information, are there any assumptions that these calculations should be based on? How should these assumptions be treated in the billing statement?
18. Should a calculated warning statement outline only the interest charged, as under the Australian warning, or the total cost including principal and interest as under the United States warning?
19. Should the minimum repayment warning include the contact information of a debt counselling service, like the United States? Or the contact details of the credit card provider, as under the Australian example?
20. What are the compliance costs of introducing a written, non-calculated minimum repayment warning?
21. What are the additional compliance costs of providing a calculation-based minimum repayment warning similar to that used in (i) the United States and (ii) Australia (as opposed to a warning statement only)?
22. What are the additional benefits of providing calculated information to the consumer (as opposed to a warning statement only)?
23. Are there any circumstances in which a minimum repayment warning should not be required?

Exploring solutions

70. We are seeking feedback on the potential form of the minimum repayment warnings to be prescribed through regulations under the Amendment Act. This includes consideration of what information should be included, how this should be presented and calculated (if relevant), and whether there are circumstances where this warning may not be required.

71. The primary consideration in developing a minimum repayment warning is whether it should prescribe a written minimum statement only, which does not include calculated information, similar to that adopted in the United Kingdom, or whether it includes calculations for each individual statement similar to the United States and Australian examples.

72. This raises the issue as to whether there are certain features of the New Zealand credit landscape that should be reflected in the minimum repayment warning. If the Australian minimum repayment warning was to be adopted, aspects of the warning may need to be changed to reflect the nature of credit in New Zealand.

73. Another issue to consider is how the minimum repayment warning may be provided to the card holder. Credit card providers often provide billing statements in hard copy and electronically (often in the form of a downloadable document). Providing statements electronically raises an issue as to how often the minimum repayment warning may be accessed online by a consumer. For example, because it is up to the consumer to log into their online banking to access the statement some card holders may never log in to see the statement, making the minimum repayment warning ineffective.

Questions for submitters:

In addition to the specific questions above, we are also interested in your views on the following:

24. Should the New Zealand minimum repayment warning be based on any of the international examples explored in this discussion document and/or are there any aspects of these international examples you believe should be adopted in New Zealand?
25. Are there any aspects unique to the New Zealand credit market that should be reflected in a minimum repayment warning?
26. Are there any issues that arise with providing the billing statement, and the minimum repayment warning, electronically?
27. How should the minimum repayment warning be provided electronically?
28. Are there other ways for lenders to alert credit card holders to repayment issues other than, or in addition to, minimum repayment warnings?

Part Three: Proportionate rebate formulae

Purpose and objective of proportionate rebates

75. Consumers may pay off the full amount owing under a consumer credit contract at any time (see section 50 of the CCCFA). This is referred to as "full prepayment".

76. The CCCFA currently requires that, upon prepayment, a creditor must refund to the debtor a proportionate rebate of any amounts paid for consumer credit insurance.

77. Under the Amendment Act, the creditor will also be required to refund to the debtor a proportionate rebate of any amounts paid for a repayment waiver or an extended warranty agreement between the creditor and debtor. This is because:

- repayment waivers cease to have any benefit to the debtor after full prepayment; and
- the refund on the extended warranty amount winds up the relationship between the creditor and debtor when the loan is fully prepaid.

78. Changes made by the Amendment Act provided for a more consistent treatment of consumer credit insurance, repayment waivers and extended warranty agreements.

Rebate of consideration paid for repayment waiver in the event of full prepayment

79. A repayment waiver is an agreement between a creditor and a debtor under which the creditor agrees, for an additional payment, to waive the creditor's right to any amount payable under the credit contract in the event of the debtor's unemployment, sickness, injury, disability or death.

80. Under new section 52A, in the event of full prepayment of a credit contract, the creditor will be required to refund to the debtor a proportionate rebate of any amounts paid for a repayment waiver. In calculating the proportionate rebate required under new section 52A, the creditor must use the formula prescribed by regulations (if any). Section 138(1)(ha) provides for regulations to set out formulae for the purpose of section 52A.

81. We propose the following formula for calculating the proportionate rebate for repayment waivers. The formula is consistent with that already set out in regulations for rebate of consumer credit insurance premiums in the event of early repayment. A repayment waiver has the same effect as consumer credit insurance, which provides insurance cover for the debtor's liability under a credit contract in the event of the debtor's death, disability.

82. The formula is used in Australia in respect of proportionate rebate of consumer credit insurance premium and uses the "rule of 78". The rule recognises that the risk insured against (that the debtor will not be able to repay the credit) or the benefit of the repayment waiver (waiver of the creditor's right to be repaid) diminishes with time during the life of the credit contract. This is because the amount the debtor owes on the loan reduces over time, so the amount the insurer pays (or the amount waived by the creditor) if a claim is accepted also reduces over time.

Proposed formula for rebate of consideration paid for repayment waiver in the event of full prepayment:

$$Y = \frac{PS(S+1)}{T(T+1)}$$

Where:

Y = the amount of the rebate of the consideration paid for the repayment waiver

P = the amount of the consideration paid for the repayment waiver

S = the number of whole months in the unexpired portion of the period for which the repayment waiver applied

T = the number of whole months for which the repayment waiver applied

For example, where the debtor:

- enters into a 36 month loan agreement
- agrees to pay $200 for a repayment waiver; and
- prepays the loan after 17 months,

The rebate is calculated as follows:

Y = 200 x 19 (19+1) / 36 x (36+1) = $57.06

Questions for submitters:

29. Do you agree with the proposed formula for calculating the proportionate rebate of consideration paid for repayment waivers? If not, what alternative formula do you propose?

Rebate of consideration paid for extended warranty in the event of early repayment

83. Under section 5 of the Act, an extended warranty is an agreement between the creditor and debtor under which the creditor agrees, for an additional payment, to repair or replace defective goods outside of the warranty period that would otherwise apply. Extended warranties provided by a party other than the creditor are not subject to the following rules.

84. Under new section 52B of the Act, in the event of full prepayment of a credit contract, the creditor will be required to refund to the debtor a proportionate rebate of any amounts paid for the extended warranty.

85. In calculating the proportionate rebate under new section 52B, the creditor must use the formula prescribed by regulations (if any). Section 138(1)(ha) provides for regulations to set out formulae for the purpose of section 52B.

86. We propose the following formula for calculating the proportionate rebate for extended warranties. Unlike insurance or repayment waivers, the benefit of the extended warranty does not diminish with time. The formula provides for the rebate to be calculated on a straight line basis.

Proposed formula for rebate of consideration paid for extended warranty in the event of early repayment:

$$Y = P \times S / T$$

Where:

Y = the amount of the rebate of the consideration paid for the extended warranty

P = the amount of the consideration paid for the extended warranty

S = the number of whole months in the unexpired portion of the period for which the extended warranty applied

T = the number of whole months for which the extended warranty applied

For example, where the debtor:

- enters into a loan agreement
- agrees to pay the creditor $200 for a 12 month extended warranty; and
- prepays the loan after 6 months into the extended warranty period,

The rebate is calculated as follows:

Y = $200 x 6 / 12 = $100

Questions for submitters:

30. Do you agree with the proposed formula for calculating the proportionate rebate of consideration paid for an extended warranty? If not, what alternative formula do you propose?

Appendix One: Summary of questions for submitters

Part One: Costs of borrowing and initial disclosure

Costs of borrowing

1. What information about costs of borrowing do lenders currently make publicly available?
2. Will the information described at paragraphs 32 to 34 assist consumers in comparing different products?
3. What are the costs to creditors in publishing and updating the information described at paragraphs 32 to 34?
4. How often might a lender's "costs of borrowing" change?
5. Is there different information and/or further information about costs of borrowing that could be prescribed through these regulations? If so, please describe and set out the reasons why (e.g. potential benefits to consumers; potential compliance costs).
6. Would a prescribed form (i.e. format) of disclosing costs of borrowing assist consumers? Why/why not? If yes, how would you suggest the information be presented in a way that meaningfully assists consumers?

Model disclosure statements

7. Do you have any comments on the proposed amendments to the model disclosure statements (in particular, the drafting of the "right to cancel" and information on unforeseen hardship)?
8. From a creditor's perspective, what are the benefits of these model disclosure statements, and do you currently, or are you likely to, use them?
9. From a consumer's perspective, is the information in these model disclosure statements presented in a useful and clear way? If not, how could the model disclosure statements be improved?
10. Would you find it useful for the model disclosure statements to be provided in a Microsoft Word format on the Ministry's website?

Part Two: Minimum repayment warnings on credit card statements

11. In your experience what proportion of credit card holders make only the minimum repayment each month? What proportion repays the balance in full each month?
12. What information is currently available to consumers regarding the costs of repaying the balance at the minimum repayment?
13. What information would be most helpful to consumers in alerting them to the costs of repaying the balance at the minimum repayment?
14. What other information and tools do credit card providers make available to credit card holders regarding the costs of repaying the balance at the minimum repayment? How often are these resources used by consumers? Do you consider them to be effective?
15. In your view, should the minimum repayment warning be a non-calculation based written warning statement, or should it include calculated information similar to that included in the United States and Australian examples? Why?
16. If the minimum repayment warning was to include calculated information, what calculations should be included?

17. If the minimum repayment warning was to include calculated information, are there any assumptions that these calculations should be based on? How should these assumptions be treated in the billing statement?
18. Should a calculated warning statement outline only the interest charged, as under the Australian warning, or the total cost including principal and interest as under the United States warning?
19. Should the minimum repayment warning include the contact information of a debt counselling service, like the United States? Or the contact details of the credit card provider, as under the Australian example?
20. What are the compliance costs of introducing a written, non-calculated minimum repayment warning?
21. What are the additional compliance costs of providing a calculation-based minimum repayment warning similar to that used in (i) the United States and (ii) Australia (as opposed to a warning statement only)?
22. What are the additional benefits of providing calculated information to the consumer (as opposed to a warning statement only)?
23. Are there any circumstances in which a minimum repayment warning should not be required?
24. Should the New Zealand minimum repayment warning be based on any of the international examples explored in this discussion document and/or are there any aspects of these international examples you believe should be adopted in New Zealand?
25. Are there any aspects unique to the New Zealand credit market that should be reflected in a minimum repayment warning?
26. Are there any issues that arise with providing the billing statement, and the minimum repayment warning, electronically?
27. How should the minimum repayment warning be provided electronically?
28. Are there other ways for lenders to alert credit card holders to repayment issues other than, or in addition to, minimum repayment warnings?

Part Three: Proportionate rebate formulae

Rebate of consideration paid for repayment waiver in the event of full prepayment

29. Do you agree with the proposed formula for calculating the proportionate rebate of consideration paid for repayment waivers? If not, what alternative formula do you propose?

Rebate of consideration paid for extended warranty in the event of early repayment

30. Do you agree with the proposed formula for calculating the proportionate rebate of consideration paid for an extended warranty? If not, what alternative formula do you propose?

Appendix Two: Proposed updates to model disclosure statements

1. This Appendix includes four versions of the proposed model disclosure statements:
   a. Disclosure statement for consumer credit contracts (other than revolving credit contracts), with proposed changes to the current statement indicated by tracked changes.
   b. Disclosure statement for revolving credit contracts, with proposed changes to the current statement indicated by tracked changes.
   c. The statement referred to at (a), with tracked changes accepted.
   d. The statement referred to at (b), with tracked changes accepted.

DISCLOSURE STATEMENT FOR CONSUMER CREDIT CONTRACTS (other than revolving credit contracts)

Statement Date
/ /

IMPORTANT—The creditor is required to provide you with this disclosure statement under section 17 of the Credit Contracts and Consumer Finance Act 2003. This document sets out the key information about your consumer credit contract. You should read it thoroughly. If you do not understand anything in this document, you should seek independent advice. You should keep this disclosure statement and a copy of your consumer credit contract in a safe place.

This disclosure statement must be provided to you ~~within 5 working days of the day on which~~before the contract is ~~made~~entered into. The law gives you a limited right to cancel the consumer credit contract. See the statement of right to cancel below and your consumer credit contract for full details of your right to cancel. Note that strict time limits apply.

FULL NAME AND ADDRESS OF CREDITOR This is the person providing you the credit.

You may send notices to the creditor by:

- writing to the creditor at the creditor's postal address; or
- sending a fax to the number specified (if any); or
- sending an email to the address specified (if any).

Name: ______________________________

Trading Name (if different): ______________________________

Physical Address: ______________________________

____

Postal Address: ______________________________

____

Fax: ______________________________

Email: ______________________________

CREDIT DETAILS

Initial unpaid balance

This is the amount you owe as at the date of this statement (including any fees charged by the creditor).

$______________ made up of: $______________ $______________ [*describe any advance, charge, fee, optional service, etc*]

$______________ $______________

$______________ $______________

Less

$______________ $______________ [*eg. payment received, deposit, trade-in allowance, etc*]

$______________ $______________

Subsequent advance(s)

This amount (or these amounts) will be provided to you by the creditor on the date(s) specified.

$ ______________ ______________ [*description, timing*]

$ ______________ ______________ [*description, timing*]

Total advances

This is the total amount of all advances made or to be made to you.

$ ______________________________

PAYMENTS You are required to make each payment of the amount specified and by the time specified.

Timing of payments	Number of payments	Amount of each payment	Total amount of payments
Frequency ______________ First Payment ___________ Last Payment ___________	______________	$ ______________	$ ______________

INTEREST

Annual interest rate(s)

__________% fixed for the whole term of the contract, being ___________________ [*specify term of the contract*]; or

_________ % fixed for part of the term of the contract, being _________________ [*specify period during which the annual interest rate is fixed*]; or

The base rate _________________________ [*name and description of base rate; when and where published or how ascertained; current annual interest rate or rates]*; or

_________ % above/below base rate __________ [*name and description of base rate, when and where published or how ascertained; current annual interest rate or rates*].

Total interest charges

This is the total amount of the interest charges payable under the contract.

$ _________________________________

Interest free period

_______________________ days/weeks/months/years. When interest will begin to accrue: _______________________

Method of charging interest

Interest charges are calculated by multiplying the unpaid balance at the end of the day by a daily interest rate. The daily interest rate is calculated by dividing the annual interest rate by 365.

Interest is charged to your account ___________________ [*specify frequency, eg, monthly, fortnightly*]; or

Interest charges are calculated and charged at the end of each _______________ [*specify period, eg, month, fortnight*] by multiplying the average unpaid daily balance for the preceding ______________ [*specify period, eg, month, fortnight*] by a ______________ [*specify frequency, eg, monthly, fortnightly*] interest rate. The ___________ [*specify frequency, eg, monthly, fortnightly*] interest rate is calculated by dividing the annual interest rate by ___________ [*specify number of periods in a year, eg, 12, 26*]; or

Interest charges are calculated by ____ [*specify description of other method of charging interest and frequency with which interest charges are debited*].

CREDIT FEES AND CHARGES

The following credit fee(s) and charge(s) (which are not included in the initial unpaid balance) are, or may become, payable under, or in connection with, the contract.

Your credit contract may allow the creditor to vary this/these fee(s) and charge(s).

$ ___________________ [*amount or, if not ascertainable, method of calculation*] _____________________ [*description, timing*]

$ ___________________ [*amount or, if not ascertainable, method of calculation*] _____________________ [*description, timing*]

Administration costs and fees payable on full prepayment are disclosed under the full prepayment heading.

CONTINUING DISCLOSURE

The creditor may be required to provide you with regular statements. The statements will give you information about your account.

Statements will be provided ______________________________ [*specify frequency, eg, monthly*].

WHAT COULD HAPPEN IF YOU FAIL TO MEET YOUR COMMITMENTS

Security interest*

[* *Delete if no security interest is or may be taken in connection with the contract*]

This is a secured loan.~~The creditor has an interest in the property listed below to secure performance of your obligations under the contract, or the payment of money payable under the contract, or both.~~ If you fail to meet your commitments under the contract, ~~then to the extent of the security interest,~~ the creditor may be entitled to repossess and sell this property.

~~____ [*description of security interest, property, and extent to which debtor's obligations to creditor are secured*]~~

~~____ [*description of security interest, property, and extent to which debtor's obligations to creditor are secured*]~~

Property which is (or will be) subject to a security interest: ____

Nature of the security interest: ____

Extent of security interest: ____ [*clearly describe the extent to which the debtor's obligations to the creditor are secured by the security interest, including whether, if the creditor's rights under the security were to be exercised, the debtor would, or may, remain indebted to the creditor*]

Consequences of giving a security interest over the above property: ______________________ [*clearly describe what the consequences would be if the debtor were to give a security interest over the property to a person other than the creditor and, as a result, the debtor were to be in breach of the contract, including whether the property that would be subject to the security interest would be liable to repossession*]

A disabling device is to be attached to: ____ †

Information on this device: ____ [*clearly describe how the device functions; when the device might be activated; and how, if the consumer goods are required in an emergency situation, the debtor may obtain the use of the goods*] †

[† *Delete if no disabling device is to be attached to consumer goods that are subject to a security interest*]

Default interest charges and default fees

In the event of a default in payment and while the default continues you must pay the default interest charges. In the event of a breach of the contract or on the enforcement of the contract, the default fees specified below are payable. Your credit contract may allow the creditor to vary these fees and charges.

Default interest is ________________ [*description of the amount and how and when default interest charges become payable*]

Default fees: $_________________ ____ [*description of the amount and how*
$_________________ ____ *and when default fees become payable*].

FULL PREPAYMENT

If you pay the unpaid balance in full before the final payment is due (**full prepayment**), you may be required to pay a fee or charge to compensate the creditor for any loss resulting from the full prepayment. The creditor may have suffered a loss if the creditor's current interest rate is lower that the interest rate applying to your original consumer credit contract. You may also have to pay the creditor's administrative costs relating to the full prepayment.

The amount you may have to pay to compensate the creditor for the loss is calculated using the formula prescribed in regulation 9 or regulation 11 of the Credit Contracts and Consumer Finance Regulations 2004; or

____
__________________________________ [*alternative procedure*].

Administrative costs/fees $ ____ [*description*].

RIGHT TO CANCEL

You are entitled to cancel this contract by giving notice to the creditor within a short time of receiving this form.~~The Credit Contracts and Consumer Finance Act 2003 gives you a right for a short time after the terms of this contract have been disclosed to you to cancel the contract.~~

How to cancel

If you want to cancel this contract you ~~must~~have until __________ [*date which complies with sections 27 and 35*].

To cancel, you must:*

(a) give written notice to the creditor~~;~~; and

~~*You must also –~~

(b) return to the creditor any advance and any other property received by you under the contract. ~~(but you cannot do this if you have taken possession of any goods or if you bought any property at an auction or if the contract is for the sale of services that have been performed); or~~

~~(c) pay the cash price of the property or services within 15 working days of the day you give notice. *~~

~~[**Delete if the credit contract does not involve a credit sale*.]~~

~~You must also return to the creditor any advance and any other property received by you under the contract. †~~

~~[†~~ [* *Delete if the credit contract involves a credit sale*.]

To cancel, you must:†

(a) give written notice to the creditor; and

(b) return to the creditor any advance and any other property received by you under the contract, unless:

(1) you have taken possession of goods purchased, bought property at an auction or the services purchased have been performed, in which case you have the option to pay the cash price of the property or services (within 15 working days of the day you give notice) instead of returning any advances and other property received.

[† *Delete if the credit contract does not involve a credit sale*]

The date for cancellation (noted above) must be not less than the following time limits~~for cancellation~~

If the disclosure documents are handed to you directly you must give notice that you intend to cancel within ~~3~~ 5 working days after you receive the documents.

If the disclosure documents are sent to you by electronic means (for example, email) you must give notice that you intend to cancel within ~~5~~ 7 working days after the electronic communication is sent.

If the documents are mailed to you, you must give the notice within ~~7~~ 9 working days after they were posted.

Saturdays, Sundays, and national public holidays are not counted as working days.

What you may have to pay if you cancel

If you cancel the contract the creditor can charge you –

(a) the amount of any reasonable expenses the creditor had to pay in connection with the contract and its cancellation (including legal fees and fees for credit reports, etc); and

(b) interest for the period from the day you received the property or services until the day you either pay the cash price for the property or services or return the property to the creditor~~.~~* (and if any returned property has been damaged while in the possession of a debtor, the cost of repairing the damage).*

[* *Delete if the credit contract does not involve a credit sale*.]

(b) interest for the period from the day you received the advance until the day you repay the advance.†

[† *Delete if the credit contract involves a credit sale*.]

~~This statement only contains a summary of your rights and obligations in connection with the right to cancel. If there is anything about your rights or obligations under the Credit Contracts and Consumer Finance Act 2003 that you do not understand, if there is a dispute about your rights, or if you think that the creditor is being unreasonable in any way, you should seek legal advice immediately.~~

WHAT TO DO IF YOU SUFFER UNFORESEEN HARDSHIP

If you are unable to keep up your payments because of an unexpected event that causes you hardship, for example illness, injury, loss of employment or the end of a relationship, you can apply to the creditor for a hardship variation.

To apply for a hardship variation you need to make a request to the creditor in writing which explains your situation and requests one of the following variations:

(a) extending the term of the contract and reducing the amount of each payment due under the contract accordingly (without a consequential change being made to the annual interest rate(s));

(b) giving you longer to pay by postponing, during a specified period, the dates on which payments are due under the contract (without a consequential change being made to the annual interest rate(s)); or

(c) both of the above – postponing payments for a specified time and reducing the amount of your payments by extending the term.

Do this as soon as possible because, if you leave it for too long, the creditor does not have to consider your application.

DISPUTE RESOLUTION*

[* *Delete if not required by the Financial Service Providers (Registration and Dispute Resolution Service) Act 2008 to register on the financial service providers register or to be a member of a dispute resolution scheme*]

Name of dispute resolution scheme: ______________________________ *

Contact details of dispute resolution scheme:*

Phone: ______________________________

Website: ______________________________

Business Address: ______________________________

[* *Delete if not required by the Financial Service Providers (Registration and Dispute Resolution Service) Act 2008 to be a member of a dispute resolution scheme*]

Creditor registration name: ______________________________ Registration number: ______________ †

[† *Delete if not required by the Financial Service Providers (Registration and Dispute Resolution Service) Act 2008 to register on the financial service providers register*]

DISCLOSURE STATEMENT FOR REVOLVING CREDIT CONTRACTS

Statement Date
/ /

IMPORTANT—The creditor is required to provide you with this disclosure statement under section 17 of the Credit Contracts and Consumer Finance Act 2003. This document sets out the key information about your consumer credit contract. You should read it thoroughly. If you do not understand anything in this document, you should seek independent advice. You should keep this disclosure statement and a copy of your consumer credit contract in a safe place.

This disclosure statement must be provided to you ~~within 5 working days of the day on which~~before the contract is ~~made~~entered into. The law gives you a limited right to cancel the consumer credit contract. See the statement of right to cancel below and your consumer credit contract for full details of your right to cancel. Note that strict time limits apply.

FULL NAME AND ADDRESS OF CREDITOR This is the person providing you the credit.

You may send notices to the creditor by:

- writing to the creditor at the creditor's postal address; or
- sending a fax to the number specified (if any); or
- sending an email to the address specified (if any).

Name: ______________________________

Trading Name (if different): ______________________________

Physical Address: ______________________________

____

Postal Address: ______________________________

____

Fax: ______________________________

Email: ______________________________

CONTINUING DISCLOSURE

Continuing disclosure statements

The creditor is required to provide you with regular statements. The statements will give you information about your account (eg, any interest or fees charged during the statement period) and the amount of timing of your next payment.

Statements will be provided ______________________________ [*specify frequency, eg, monthly, fortnightly*].

INITIAL UNPAID BALANCE This is the amount you owe as at the date of this statement (including any fees charged by the creditor).

$__________________	made up of:	$__________________	$__________________	[*describe any advance, charge, fee, optional service, etc*]
		$__________________	$__________________	
		$__________________	$__________________	
		Less		
		$__________________	$__________________	[*eg, payment received, etc*]
		$__________________	$__________________	

PAYMENTS

Minimum payment

You may choose to pay more than the minimum payment, $______________; or

______________% of the unpaid balance as at the end of each statement period; or

The minimum payment is calculated by ______________________________ [*description of other method of calculating minimum payment*].

When payments are due

Payments must be made ______________________ [*specify frequency, eg, monthly, fortnightly*].

The date that payments are due will be specified in your continuing disclosure statements.

CREDIT DETAILS

Annual interest rate(s)	**Credit limit**
Current annual interest rate ______________ (this rate may vary); or ___________ % fixed for __________________ [*specify period*]; or The base rate ______________ [*name and description of base rate; when and where published or how ascertained; current annual interest rate or rates*]; or ___________ % above/below base rate _____________ [*name and description of base rate; when and where published or how ascertained; current annual interest rate or rates*].	$ ___________________________

Method of charging interest

Interest charges are calculated by multiplying the unpaid balance at the end of the day by a daily interest rate. The daily interest rate is calculated by dividing the annual interest rate by 365.

Interest is charged to your account ___________________ [*specify frequency, eg, monthly, fortnightly*]; or

Interest charges are calculated by _______________ [*specify description of other method of charging interest and frequency with which interest charges are debited*].

Interest free period

_______________________ days/weeks/months/years.

When interest will begin to accrue: / /

CREDIT FEES AND CHARGES

The following credit fee(s) and charge(s) (which are not included in the initial unpaid balance) are, or may become, payable under, or in connection with, the contract.

Your credit contract may allow the creditor to vary this/these fee(s) and charge(s).

$ ___________________ [*amount or, if not ascertainable, method of calculation*] _____________________ [*description, timing*]

$ ___________________ [*amount or, if not ascertainable, method of calculation*] _____________________ [*description, timing*]

WHAT COULD HAPPEN IF YOU FAIL TO MEET YOUR COMMITMENTS

Security interest*

[* *Delete if no security interest is or may be taken in connection with the contract*]

This is a secured loan.~~The creditor has an interest in the property listed below to secure performance of your obligations under the contract, or the payment of money under the contract, or both.~~ If you fail to meet your commitments under the contract, ~~then to the extent of the security interest,~~ the creditor may be entitled to repossess and sell this property.

____[~~*description of security interest, property, and extent to which debtor's obligations to creditor are secured*~~]

____[~~*description of security interest, property, and extent to which debtor's obligations to creditor are secured*~~]

Property which is (or will be) subject to a security interest: ____

Nature of the security interest: ____

Extent of security interest: ____ [*clearly describe the extent to which the debtor's obligations to the creditor are secured by the security interest, including whether, if the creditor's rights under the security were to be exercised, the debtor would, or may, remain indebted to the creditor*]

Consequences of giving a security interest over the above property: ________________________________ [*clearly describe what the consequences would be if the debtor were to give a security interest over the property to a person other than the creditor and, as a result, the debtor were to be in breach of the contract, including whether the property that would be subject to the security interest would be liable to repossession*]

A disabling device is to be attached to: _______________ †

Information on this device: _______________ [*clearly describe how the device functions; when the device might be activated; and how, if the consumer goods are required in an emergency situation, the debtor may obtain the use of the goods*] †

[† *Delete if no disabling device is to be attached to consumer goods that are subject to a security interest*]

Default interest charges and default fees

You must pay the default interest charges in the event of a default in payment and while the default continues, or in the event of you causing the credit limit under the contract to be exceeded and while the credit limit is exceeded. In the event of a breach of the contract or on the enforcement of the contract, the default fees specified below are payable. Your credit contract may allow the creditor to vary these fees and charges.

Default interest is _______________ [*description of the amount and how and when default interest charges become payable*]

Default fees: $_______________ _______________ [*description of the amount and how*
$_______________ _______________ *and when default fees become payable*].

RIGHT TO CANCEL

You are entitled to cancel this contract by giving notice to the creditor within a short time of receiving this form.

How to cancel

If you want to cancel this contract you have until _______________ [*date which complies with sections 27 and 35*].

To cancel, you must:*

(a) give written notice to the creditor; and

(b) return to the creditor any advance and any other property received by you under the contract.

[* *Delete if the credit contract involves a credit sale*]

To cancel, you must:†

(a) give written notice to the creditor; and

(b) return to the creditor any advance and any other property received by you under the contract, unless:

(1) you have taken possession of goods purchased, bought property at an auction or the services purchased have been performed, in which case you have the option to pay the cash price of the property or services (within 15 working days of the day you give notice) instead of returning any advances and other property received.

[† *Delete if the credit contract does not involve a credit sale*]

The date for cancellation (noted above) must be not less than the following time limits

If the disclosure documents are handed to you directly you must give notice that you intend to cancel within 5 working days after you receive the documents.

If the disclosure documents are sent to you by electronic means (for example, email) you must give notice that you intend to cancel within 7 working days after the electronic communication is sent.

If the documents are mailed to you, you must give the notice within 9 working days after they are posted.

Saturdays, Sunday, and national public holidays are not counted as working days.

What you may have to pay if you cancel

If you cancel the contract the creditor can charge you –

(a) the amount of any reasonable expenses the creditor had to pay in connection with the contract and its cancellation (including legal fees and fees for credit reports, etc); and

(b) interest for the period from the day you received the property or services until the day you either pay the cash price for the property or services or return the property to the creditor (and if any returned property has been damaged while in the possession of a debtor, the cost of repairing the damage).*

[* *Delete if the credit contract does not involve a credit sale*.]

(b) interest for the period from the day you received the advance until the day you repay the advance.†

[† *Delete if the credit contract involves a credit sale*.]

WHAT TO DO IF YOU SUFFER UNFORESEEN HARDSHIP

If you are unable to keep up your payments because of an unexpected event that causes you hardship, for example illness, injury, loss of employment or the end of a relationship, you can apply to the creditor for a hardship variation.

To apply for a hardship variation you need to make a request to the creditor in writing which explains your situation and requests one of the following variations:

(a) extending the term of the contract and reducing the amount of each payment due under the contract accordingly (without a consequential change being made to the annual interest rate(s));

(b) giving you longer to pay by postponing, during a specified period, the dates on which payments are due under the contract (without a consequential change being made to the annual interest rate(s)); or

(c) both of the above – postponing payments for a specified time and reducing the amount of your payments by extending the term.

Do this as soon as possible because, if you leave it for too long, the creditor does not have to consider your application.

DISPUTE RESOLUTION*

[* *Delete if not required by the Financial Service Providers (Registration and Dispute Resolution Service) Act 2008 to register on the financial service providers register or to be a member of a dispute resolution scheme*]

Name of dispute resolution scheme: ______________________________ *

Contact details of dispute resolution scheme:*

Phone: ______________________________

Website: ______________________________

Business Address: ______________________________

[* *Delete if not required by the Financial Service Providers (Registration and Dispute Resolution Service) Act 2008 to be a member of a dispute resolution scheme*]

Creditor registration name: ______________________________ Registration number: ______________ †

[† *Delete if not required by the Financial Service Providers (Registration and Dispute Resolution Service) Act 2008 to register on the financial service providers register*]

DISCLOSURE STATEMENT FOR CONSUMER CREDIT CONTRACTS (other than revolving credit contracts)

Statement Date
/ /

IMPORTANT—The creditor is required to provide you with this disclosure statement under section 17 of the Credit Contracts and Consumer Finance Act 2003. This document sets out the key information about your consumer credit contract. You should read it thoroughly. If you do not understand anything in this document, you should seek independent advice. You should keep this disclosure statement and a copy of your consumer credit contract in a safe place.

This disclosure statement must be provided to you before the contract is entered into. The law gives you a limited right to cancel the consumer credit contract. See the statement of right to cancel below and your consumer credit contract for full details of your right to cancel. Note that strict time limits apply.

FULL NAME AND ADDRESS OF CREDITOR This is the person providing you the credit.

You may send notices to the creditor by:

- writing to the creditor at the creditor's postal address; or
- sending a fax to the number specified (if any); or
- sending an email to the address specified (if any).

Name: ____

Trading Name (if different): ______________________________

Physical Address: ___________________________________

____

Postal Address: _____________________________________

____

Fax: ____

Email: ____

CREDIT DETAILS

Initial unpaid balance

This is the amount you owe as at the date of this statement (including any fees charged by the creditor).

$__________________ made up of:

$___________________	$____________________	[*describe any advance, charge, fee, optional service, etc*]
$__________________	$____________________	
$__________________	$____________________	
Less		
$__________________	$____________________	[*eg. payment received, deposit, trade-in allowance, etc*]
$__________________	$____________________	

Subsequent advance(s)

This amount (or these amounts) will be provided to you by the creditor on the date(s) specified.

$ __________________ _____________ [*description, timing*]

$ __________________ _____________ [*description, timing*]

Total advances

This is the total amount of all advances made or to be made to you.

$ ____

PAYMENTS You are required to make each payment of the amount specified and by the time specified.

Timing of payments	Number of payments	Amount of each payment	Total amount of payments
Frequency _____________ First Payment __________ Last Payment __________	______________	$ _________________	$ ____________________

INTEREST

Annual interest rate(s)

__________% fixed for the whole term of the contract, being ___________________ [*specify term of the contract*]; or

_________ % fixed for part of the term of the contract, being _________________ [*specify period during which the annual interest rate is fixed*]; or

The base rate _________________________ [*name and description of base rate; when and where published or how ascertained; current annual interest rate or rates]*; or

_________ % above/below base rate __________ [*name and description of base rate, when and where published or how ascertained; current annual interest rate or rates*].

Total interest charges

This is the total amount of the interest charges payable under the contract.

$ _________________________________

Interest free period

_______________________ days/weeks/months/years. When interest will begin to accrue: _______________________

Method of charging interest

Interest charges are calculated by multiplying the unpaid balance at the end of the day by a daily interest rate. The daily interest rate is calculated by dividing the annual interest rate by 365.

Interest is charged to your account ___________________ [*specify frequency, eg, monthly, fortnightly*]; or

Interest charges are calculated and charged at the end of each _______________ [*specify period, eg, month, fortnight*] by multiplying the average unpaid daily balance for the preceding ______________ [*specify period, eg, month, fortnight*] by a ______________ [*specify frequency, eg, monthly, fortnightly*] interest rate. The ___________ [*specify frequency, eg, monthly, fortnightly*] interest rate is calculated by dividing the annual interest rate by ___________ [*specify number of periods in a year, eg, 12, 26*]; or

Interest charges are calculated by ____ [*specify description of other method of charging interest and frequency with which interest charges are debited*].

CREDIT FEES AND CHARGES

The following credit fee(s) and charge(s) (which are not included in the initial unpaid balance) are, or may become, payable under, or in connection with, the contract.

Your credit contract may allow the creditor to vary this/these fee(s) and charge(s).

$ ___________________ [*amount or, if not ascertainable, method of calculation*] _____________________ [*description, timing*]

$ ___________________ [*amount or, if not ascertainable, method of calculation*] _____________________ [*description, timing*]

Administration costs and fees payable on full prepayment are disclosed under the full prepayment heading.

CONTINUING DISCLOSURE

The creditor may be required to provide you with regular statements. The statements will give you information about your account.

Statements will be provided _____________________________ [*specify frequency, eg, monthly*].

WHAT COULD HAPPEN IF YOU FAIL TO MEET YOUR COMMITMENTS

Security interest*
[* *Delete if no security interest is or may be taken in connection with the contract*]

This is a secured loan. If you fail to meet your commitments under the contract, the creditor may be entitled to repossess and sell this property.

Property which is (or will be) subject to a security interest: ____

Nature of the security interest: ____

Extent of security interest: ____[*clearly describe the extent to which the debtor's obligations to the creditor are secured by the security interest, including whether, if the creditor's rights under the security were to be exercised, the debtor would, or may, remain indebted to the creditor*]

Consequences of giving a security interest over the above property: ____________________________________ [*clearly describe what the consequences would be if the debtor were to give a security interest over the property to a person other than the creditor and, as a result, the debtor were to be in breach of the contract, including whether the property that would be subject to the security interest would be liable to repossession*]

A disabling device is to be attached to: ____†

Information on this device: ____ [*clearly describe how the device functions; when the device might be activated; and how, if the consumer goods are required in an emergency situation, the debtor may obtain the use of the goods*] †

[† *Delete if no disabling device is to be attached to consumer goods that are subject to a security interest*]

Default interest charges and default fees

In the event of a default in payment and while the default continues you must pay the default interest charges. In the event of a breach of the contract or on the enforcement of the contract, the default fees specified below are payable. Your credit contract may allow the creditor to vary these fees and charges.

Default interest is _______________ [*description of the amount and how and when default interest charges become payable*]

Default fees: $________________ ______________________________________ [*description of the amount and how*
$________________ ______________________________________ *and when default fees become payable*].

FULL PREPAYMENT

If you pay the unpaid balance in full before the final payment is due (**full prepayment**), you may be required to pay a fee or charge to compensate the creditor for any loss resulting from the full prepayment. The creditor may have suffered a loss if the creditor's current interest rate is lower that the interest rate applying to your original consumer credit contract. You may also have to pay the creditor's administrative costs relating to the full prepayment.

The amount you may have to pay to compensate the creditor for the loss is calculated using the formula prescribed in regulation 9 or regulation 11 of the Credit Contracts and Consumer Finance Regulations 2004; or

____
________________________________ [*alternative procedure*].

Administrative costs/fees $ ____ [*description*].

RIGHT TO CANCEL

You are entitled to cancel this contract by giving notice to the creditor within a short time of receiving this form.

How to cancel

If you want to cancel this contract you have until ___________ [*date which complies with sections 27 and 35*].

To cancel, you must:*

(a) give written notice to the creditor; and

(b) return to the creditor any advance and any other property received by you under the contract.

[* *Delete if the credit contract involves a credit sale*.]

To cancel, you must:†

(a) give written notice to the creditor; and

(b) return to the creditor any advance and any other property received by you under the contract, unless:

 (1) you have taken possession of goods purchased, bought property at an auction or the services purchased have been performed, in which case you have the option to pay the cash price of the property or services (within 15 working days of the day you give notice) instead of returning any advances and other property received.

[† *Delete if the credit contract does not involve a credit sale*]

The date for cancellation (noted above) must be not less than the following time limits

If the disclosure documents are handed to you directly you must give notice that you intend to cancel within 5 working days after you receive the documents.

If the disclosure documents are sent to you by electronic means (for example, email) you must give notice that you intend to cancel within 7 working days after the electronic communication is sent.

If the documents are mailed to you, you must give the notice within 9 working days after they were posted.

Saturdays, Sundays, and national public holidays are not counted as working days.

What you may have to pay if you cancel

If you cancel the contract the creditor can charge you –

(a) the amount of any reasonable expenses the creditor had to pay in connection with the contract and its cancellation (including legal fees and fees for credit reports, etc); and

(b) interest for the period from the day you received the property or services until the day you either pay the cash price for the property or services or return the property to the creditor (and if any returned property has been damaged while in the possession of a debtor, the cost of repairing the damage).*

[* *Delete if the credit contract does not involve a credit sale*.]

(b) interest for the period from the day you received the advance until the day you repay the advance.†

[† *Delete if the credit contract involves a credit sale*.]

WHAT TO DO IF YOU SUFFER UNFORESEEN HARDSHIP

If you are unable to keep up your payments because of an unexpected event that causes you hardship, for example illness, injury, loss of employment or the end of a relationship, you can apply to the creditor for a hardship variation.

To apply for a hardship variation you need to make a request to the creditor in writing which explains your situation and requests one of the following variations:

(a) extending the term of the contract and reducing the amount of each payment due under the contract accordingly (without a consequential change being made to the annual interest rate(s));

(b) giving you longer to pay by postponing, during a specified period, the dates on which payments are due under the contract (without a consequential change being made to the annual interest rate(s)); or

(c) both of the above – postponing payments for a specified time and reducing the amount of your payments by extending the term.

Do this as soon as possible because, if you leave it for too long, the creditor does not have to consider your application.

DISPUTE RESOLUTION*

[* *Delete if not required by the Financial Service Providers (Registration and Dispute Resolution Service) Act 2008 to register on the financial service providers register or to be a member of a dispute resolution scheme*]

Name of dispute resolution scheme: ____*

Contact details of dispute resolution scheme:*

Phone: ____

Website: ____

Business Address: __________________________________

[* *Delete if not required by the Financial Service Providers (Registration and Dispute Resolution Service) Act 2008 to be a member of a dispute resolution scheme*]

Creditor registration name:____ Registration number:___________________ †

[† *Delete if not required by the Financial Service Providers (Registration and Dispute Resolution Service) Act 2008 to register on the financial service providers register*]

DISCLOSURE STATEMENT FOR REVOLVING CREDIT CONTRACTS

Statement Date
/ /

IMPORTANT—The creditor is required to provide you with this disclosure statement under section 17 of the Credit Contracts and Consumer Finance Act 2003. This document sets out the key information about your consumer credit contract. You should read it thoroughly. If you do not understand anything in this document, you should seek independent advice. You should keep this disclosure statement and a copy of your consumer credit contract in a safe place.

This disclosure statement must be provided to you before the contract is entered into. The law gives you a limited right to cancel the consumer credit contract. See the statement of right to cancel below and your consumer credit contract for full details of your right to cancel. Note that strict time limits apply.

FULL NAME AND ADDRESS OF CREDITOR This is the person providing you the credit.

You may send notices to the creditor by:

- writing to the creditor at the creditor's postal address; or
- sending a fax to the number specified (if any); or
- sending an email to the address specified (if any).

Name: ____

Trading Name (if different): ______________________________

Physical Address: ____________________________________

____

Postal Address: ______________________________________

____

Fax: ____

Email: ____

CONTINUING DISCLOSURE

Continuing disclosure statements

The creditor is required to provide you with regular statements. The statements will give you information about your account (eg, any interest or fees charged during the statement period) and the amount of timing of your next payment.

Statements will be provided ______________________________ [*specify frequency, eg, monthly, fortnightly*].

INITIAL UNPAID BALANCE This is the amount you owe as at the date of this statement (including any fees charged by the creditor).

$__________________	made up of:	$___________________	$___________________	[*describe any advance, charge, fee, optional service, etc*]
		$___________________	$___________________	
		$___________________	$___________________	
		Less		
		$___________________	$___________________	[*eg, payment received, etc*]
		$___________________	$___________________	

PAYMENTS

Minimum payment

You may choose to pay more than the minimum payment, $_____________; or

_______________% of the unpaid balance as at the end of each statement period; or

The minimum payment is calculated by _________________________ [*description of other method of calculating minimum payment*].

When payments are due

Payments must be made ______________________ [*specify frequency, eg, monthly, fortnightly*].

The date that payments are due will be specified in your continuing disclosure statements.

CREDIT DETAILS

Annual interest rate(s)

Current annual interest rate ______________ (this rate may vary); or

___________ % fixed for __________________ [*specify period*]; or

The base rate ______________ [*name and description of base rate; when and where published or how ascertained; current annual interest rate or rates*]; or

___________ % above/below base rate _____________ [*name and description of base rate; when and where published or how ascertained; current annual interest rate or rates*].

Credit limit

$ ____________________________

Method of charging interest

Interest charges are calculated by multiplying the unpaid balance at the end of the day by a daily interest rate. The daily interest rate is calculated by dividing the annual interest rate by 365.

Interest is charged to your account ___________________ [*specify frequency, eg, monthly, fortnightly*]; or

Interest charges are calculated by _______________ [*specify description of other method of charging interest and frequency with which interest charges are debited*].

Interest free period

_______________________ days/weeks/months/years.

When interest will begin to accrue: / /

CREDIT FEES AND CHARGES

The following credit fee(s) and charge(s) (which are not included in the initial unpaid balance) are, or may become, payable under, or in connection with, the contract.

Your credit contract may allow the creditor to vary this/these fee(s) and charge(s).

$ ___________________ [*amount or, if not ascertainable, method of calculation*] _____________________ [*description, timing*]

$ ___________________ [*amount or, if not ascertainable, method of calculation*] _____________________ [*description, timing*]

WHAT COULD HAPPEN IF YOU FAIL TO MEET YOUR COMMITMENTS

Security interest*
[* *Delete if no security interest is or may be taken in connection with the contract*]

This is a secured loan. If you fail to meet your commitments under the contract, the creditor may be entitled to repossess and sell this property.

Property which is (or will be) subject to a security interest: ____

Nature of the security interest: ____

Extent of security interest: ____[*clearly describe the extent to which the debtor's obligations to the creditor are secured by the security interest, including whether, if the creditor's rights under the security were to be exercised, the debtor would, or may, remain indebted to the creditor*]

Consequences of giving a security interest over the above property: ____________________________________ [*clearly describe what the consequences would be if the debtor were to give a security interest over the property to a person other than the creditor and, as a result, the debtor were to be in breach of the contract, including whether the property that would be subject to the security interest would be liable to repossession*]

A disabling device is to be attached to: ____†

Information on this device: ____ [*clearly describe how the device functions; when the device might be activated; and how, if the consumer goods are required in an emergency situation, the debtor may obtain the use of the goods*] †

[† *Delete if no disabling device is to be attached to consumer goods that are subject to a security interest*]

Default interest charges and default fees

You must pay the default interest charges in the event of a default in payment and while the default continues, or in the event of you causing the credit limit under the contract to be exceeded and while the credit limit is exceeded. In the event of a breach of the contract or on the enforcement of the contract, the default fees specified below are payable. Your credit contract may allow the creditor to vary these fees and charges.

Default interest is _______________ [*description of the amount and how and when default interest charges become payable*]

Default fees: $________________ _____________________________________ [*description of the amount and how*
$________________ _____________________________________ *and when default fees become payable*].

RIGHT TO CANCEL

You are entitled to cancel this contract by giving notice to the creditor within a short time of receiving this form.

How to cancel

If you want to cancel this contract you have until ___________ [*date which complies with sections 27 and 35*].

To cancel, you must:*

(a) give written notice to the creditor; and

(b) return to the creditor any advance and any other property received by you under the contract.

[* *Delete if the credit contract involves a credit sale*]

To cancel, you must:†

(a) give written notice to the creditor; and

(b) return to the creditor any advance and any other property received by you under the contract, unless:

(1) you have taken possession of goods purchased, bought property at an auction or the services purchased have been performed, in which case you have the option to pay the cash price of the property or services (within 15 working days of the day you give notice) instead of returning any advances and other property received.

[† *Delete if the credit contract does not involve a credit sale*]

The date for cancellation (noted above) must be not less than the following time limits

If the disclosure documents are handed to you directly you must give notice that you intend to cancel within 5 working days after you receive the documents.

If the disclosure documents are sent to you by electronic means (for example, email) you must give notice that you intend to cancel within 7 working days after the electronic communication is sent.

If the documents are mailed to you, you must give the notice within 9 working days after they are posted.

Saturdays, Sunday, and national public holidays are not counted as working days.

What you may have to pay if you cancel

If you cancel the contract the creditor can charge you –

(a) the amount of any reasonable expenses the creditor had to pay in connection with the contract and its cancellation (including legal fees and fees for credit reports, etc); and

(b) interest for the period from the day you received the property or services until the day you either pay the cash price for the property or services or return the property to the creditor (and if any returned property has been damaged while in the possession of a debtor, the cost of repairing the damage).*

[* *Delete if the credit contract does not involve a credit sale*.]

(b) interest for the period from the day you received the advance until the day you repay the advance.†

[† *Delete if the credit contract involves a credit sale*.]

WHAT TO DO IF YOU SUFFER UNFORESEEN HARDSHIP

If you are unable to keep up your payments because of an unexpected event that causes you hardship, for example illness, injury, loss of employment or the end of a relationship, you can apply to the creditor for a hardship variation.

To apply for a hardship variation you need to make a request to the creditor in writing which explains your situation and requests one of the following variations:

(a) extending the term of the contract and reducing the amount of each payment due under the contract accordingly (without a consequential change being made to the annual interest rate(s));

(b) giving you longer to pay by postponing, during a specified period, the dates on which payments are due under the contract (without a consequential change being made to the annual interest rate(s)); or

(c) both of the above – postponing payments for a specified time and reducing the amount of your payments by extending the term.

Do this as soon as possible because, if you leave it for too long, the creditor does not have to consider your application.

DISPUTE RESOLUTION*

[* *Delete if not required by the Financial Service Providers (Registration and Dispute Resolution Service) Act 2008 to register on the financial service providers register or to be a member of a dispute resolution scheme*]

Name of dispute resolution scheme: ____*

Contact details of dispute resolution scheme:*

Phone: ____

Website: ____

Business Address: ___________________________________

[* *Delete if not required by the Financial Service Providers (Registration and Dispute Resolution Service) Act 2008 to be a member of a dispute resolution scheme*]

Creditor registration name:____ Registration number:___________________ †

[† *Delete if not required by the Financial Service Providers (Registration and Dispute Resolution Service) Act 2008 to register on the financial service providers register*]