

Third-tier Lender Desk-based Survey 2011

July 2011

ISBN PDF: 978-0-478-38211-2

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Disclaimer

Best endeavours were made to ensure that the research and information presented in this report are accurate. Lenders and outlets were identified using publicly listed and available information such as the Internet and business directories. The Ministry of Consumer Affairs does not accept any responsibility or liability for any errors or deficiency in this document which arise from errors in public listings.

Executive Summary and Conclusions

The Ministry of Consumer Affairs is currently reviewing the consumer credit regime and whether it is delivering good outcomes for credit consumers. An important aspect of this review is to understand the providers operating in the credit market, and their practices. This research focuses on “third-tier” lenders.

Third-tier lenders are providers of personal non-mortgage credit who are not banks, credit unions, building societies or credit card providers. Some third-tier providers are quite large organisations with multiple outlets. Most are single outlet, small operations.

The study also draws on and builds upon a similar 2006 survey¹ to identify changes and trends.

A total of 218 companies have been identified as third-tier lenders. The total number of lenders operating in the market has not changed significantly since 2006 but the market has experienced significant turnover. About half (95) of the lenders who were in business in 2006 have exited the market and 127 new lenders have entered the industry. Although the number of lenders has not changed significantly since 2006, there has been a 60 percent growth in outlets from 210 in 2006 to 336 in 2011. However, 78 percent of all third-tier lenders and about 60 percent of new lenders have only one outlet and thus are likely to be localised sole traders.

The number of new lenders and the turnover since 2006 reflects the ease of market entry and exit. Lenders are not required to meet any competency or conduct standards and before December 2010 did not have to register or belong to a dispute resolution scheme.

This study included a check as to whether identified third-tier lenders are registered on the Financial Service Providers Register, a statutory requirement for all financial service providers. Financial service providers who offer services to retail clients must also be a member of an approved dispute resolution scheme. These requirements were introduced to improve market discipline and access to consumer redress. It was found that about 35-40 percent of third-tier lenders appear not to be registered. While the requirement to register has only been in place since December 2010, the low compliance rate requires attention, particularly when it is third-tier lending consumers (who often have lower levels of financial literacy, are on lower incomes and may be beneficiaries and are vulnerable to the practices of third-tier lenders) who often require the most protection.

Third-tier lenders have tended to focus their business in lower income areas. However, the increase in new outlets since 2006 has been focussed across Auckland not just South Auckland and indicates a more general unmet demand and/or opportunities for more accessible loans. A number of lenders operate solely via the telephone, internet and/or brokers. This business approach which potentially reaches a wider market without the “bricks and mortar” costs may become more common as digital natives (who often shop online for goods and services) become the norm.

Advertising by third-tier lenders tends to target those without an adequate credit history and/or banking relationship, for example, low income earners and young people. Advertising messages tend to emphasise the ease, speed, flexibility and normality (“a lot of people use these products”) of using third-tier loans. This type of advertising is expected; however, of concern is that the advertising often does not disclose borrowing costs and sometimes includes incentives to refer friends and families to the lender.

¹ *Fringe lenders in New Zealand: Desk research project July 2006*, Research New Zealand, prepared for the Ministry of Consumer Affairs. This study referred to fringe lenders. The current study refers to third-tier lenders. Some third-tier lenders are well-established lenders who have been operating for many years.

The common use of advertising in community newspapers (mainly by the smaller lenders) in the 2006 study has not continued into 2011. This may stem from the current more restrained economic and lending climate. The larger multi-outlet lenders who may have more resources for higher-profile advertising such as billboards, television and radio, appear to have continued their advertising in these media, but analysis of these media was not undertaken.

The key conclusion from this research is that third-tier lenders are seeing opportunities and increasing demand for more accessible loans which is not being met by the banks and other credit providers. Growth in this industry coupled with advertising which focuses on ease, speed and normality of third-tier loans is a concern. Some third-tier loans are very high-cost and may pose issues for some borrowers, who are often on low incomes or are beneficiaries.

Many third-tier lenders are sole traders and many would appear not to have complied with regulations to register and belong to a dispute resolution scheme. This indicates an industry which perhaps operates simple business models and sometimes lacks awareness of compliance requirements. Any efforts to coordinate or regulate this industry to improve outcomes for consumers will likely face challenges similar to that with the regulation of financial advisers.

Key Findings

Size and Nature of the Third-Tier Lending Industry

1. This research builds on and updates similar desktop research done in July 2006.
2. A total of 218 companies were identified as third-tier lenders. This is 33 (18 percent) more than the number of companies found in 2006. Just over half (95) of the lenders identified in 2006 have exited the market or could not be found and 127 new lenders were identified. Of the 25 national lenders found in 2006, seven (28 percent) no longer exist.
3. Cash or personal loans remain the most offered service, with 201 (92 percent) of lenders offering them. Thirty one lenders (14 percent) offer payday loans either as their only service, or as an additional service. The number of lenders offering the additional service of pawn broking has reduced (pawn broking-only businesses were not included in this survey).
4. Lender outlet numbers have increased by approximately 126 (60 percent) since 2006, from 210² to 336 in 2011. About 60 percent of new lenders have single outlets. Most of the remaining new outlets are accounted for by two existing lenders with large networks moving into personal credit.
5. While the majority of lenders (170, or 78 percent) operate only one outlet (and make up half of all outlets), the remaining 166 outlets are owned by just 26 lenders (12 percent). Twenty two (10 percent) have no outlets – they operate solely via the telephone, internet or brokers.
6. Nearly half of all lenders (99, 45 percent) offer an online application process and 69 (32 percent) of all lenders have free phone numbers.
7. The Auckland region has the greatest number of lender outlets, with 127 (38 percent) of outlets, compared to 81 (37 percent) in 2006. There are 54 outlets in Canterbury (16 percent), and 39 in Wellington (12 percent).
8. In 2006, about half of lender outlets in Auckland were located in South Auckland (39 outlets). Since then the number of outlets in South Auckland has grown slightly to 47 while the number in the rest of Auckland has doubled to 80.
9. While there is a spread of locations throughout New Zealand and within the main cities, there are concentrations of outlets in lower income communities, as it was in 2006.
10. A search of the Financial Service Providers Register by each lender's company or trading name revealed that only 59 percent of third-tier lenders would appear to have registered, and therefore belong to a dispute resolution service.

Third-Tier Lender Advertising

11. Of the 218 lenders, 41 (19 percent) advertised in at least one of the newspapers reviewed. This is significantly less than the 94 (50 percent) that were found to have done so in 2006. This is despite the fact that in 2006 fewer newspapers were reviewed (115 compared to 175).
12. In terms of newspaper advertising, 41 percent of the total 175 newspapers reviewed contained third-tier lender advertising. Advertising in community newspapers is most

² Not all lender outlets were identified in the 2006 desk research

concentrated in Auckland, which contained over double the amount of advertisements found in any other region.

13. The two most prolific newspaper advertisers, Asset Finance and Instant Finance, operate nationally and promote their businesses across a number of publications and regions. Other lenders tended to focus their advertising in their areas of operation.
14. Thirteen percent of third-tier lenders advertised on television in 2010 according to the Nielson Media Company Advertising Expenditure report.
15. Just over half (118, or 54 percent) of the lenders have a website.
16. Third-tier lenders appear to target those with low incomes or a poor credit rating.
17. Because of the cost and limitations of print advertising, newspaper advertisements tend to be simple, emphasise a range of products and loan values and clearly lay out how to contact the lender. Additionally these advertisements appear more likely to promote the use of credit to meet day to day costs. Newspaper advertisements appear to be more targeted towards lower income earners.
18. Conversely lenders who use their website to convey advertising messages tend to be more aspirational, using images of glamorous young people and things to buy and emphasising the speed and ease of obtaining credit. Lenders operating online appear to target a younger audience and people on potentially higher incomes than those advertising in community newspapers.
19. The following features of credit products are commonly emphasised in advertisements both online and in community newspapers:
 - The ease and speed with which credit can be accessed: many advertisements emphasise that they will lend to almost anybody and that credit can be obtained very quickly.
 - Flexibility: Many advertisements stress the range of credit available, that credit is available for a range of purposes and how flexible repayment plans are.
 - Affordability: Although the annual percentage interest rate on the loan is not generally stated (and was not stated in any newspaper advertising) the affordability of the weekly repayments is sometimes emphasised.
 - Normality: Some advertising normalises the use of high-cost loans by portraying the idea that lots of people use these products.
 - Aspiration: Online advertising frequently uses people's aspirations and goals to promote the use of credit products.
 - Incentives: The offering of rewards and incentives for taking out loans or for referring others to a lender was seen in both newspapers and websites.

Introduction

Objectives

20. The Ministry of Consumer Affairs is currently reviewing the consumer credit regime and whether it is delivering good outcomes for consumers. Credit providers include registered banks, building societies, credit unions and finance companies, money lenders and payday lenders. An important aspect of this review is to understand the providers operating in the credit market, and their practices.
21. This research focuses on examining “third-tier” lenders. Third-tier lenders are providers of personal non-mortgage credit who are not banks, credit unions, building societies or credit card providers.
22. Third-tier lenders operate in a market where, because many of the borrowers have lower levels of financial literacy, are on low incomes, and do not have access to affordable credit, it is easier to engage in practices that potentially take advantage of these often vulnerable consumers. Practices by some third-tier lenders could be considered irresponsible or even possibly unscrupulous and often cause detriment (and hence some of these lenders are sometimes referred to as “fringe lenders”).
23. The research examines the size and characteristics of the third-tier lender market and their advertising in print media and on the Internet. The study builds on research commissioned by the Ministry in 2006³ and investigates new trends and changes in the market.
24. The study also looked at whether identified third-tier lenders are registered. All financial service providers were required under the Financial Service Providers (Registration and Dispute Resolution) Act 2008 to be registered by 1 December 2010. In order to become registered, financial service providers who offer services to retail clients must first join an approved dispute resolution scheme. The registration and dispute resolution membership requirements were introduced to improve market discipline and provide redress to consumers. Given some of the practices of third-tier lenders, registration and membership of a dispute resolution scheme is an important mechanism for regulating these lenders and for delivering better outcomes for borrowers. This includes that, as part of belonging to a dispute resolution scheme, lenders are required to put in place robust internal complaints handling systems.

Defining Third-tier Lenders

25. We have included, as far as possible, all financial service providers providing personal (non-mortgage) credit to consumers directly, other than:
 - Registered banks
 - Building societies
 - Credit unions
 - Brokers who do not directly provide credit
 - Mortgage providers which do not provide other forms of consumer credit
 - Entities which exclusively provide finance to businesses
 - Retailers offering credit sales.
26. Third-tier lenders include finance companies, payday lenders and money lenders. The definition of third-tier lenders in this study, which includes all finance companies that provide

³ *Fringe lenders in New Zealand: Desk research project July 2006*

personal (non-mortgage) loans, differs slightly from the approach taken in 2006. The 2006 definition explicitly excluded “reputable or more mainstream”⁴ finance companies. Evidence from budget advisers, community groups and the Ministry’s consumer advisers shows that some finance companies display some “fringe lender”⁵ characteristics and practices.

27. Some “clothing” trucks, dairies and liquor stores are known to lend money but this information cannot be substantiated and would not be able to be identified through this study.

New Zealand’s Lending Market and Consumer Debt

28. While this research is focused on particular types of lenders, the following information on New Zealand’s lending market and consumer debt provides some context.

29. Reserve Bank data⁶ indicates that non-housing household consumer debt is currently \$12.6 billion, with registered banks holding around \$7.7 billion (or 60 percent of the total), building societies and credit unions around \$0.335 billion, and other non-bank lending institutions around \$4.5 billion as at December 2010. All non-housing consumer loans by non-bank lending institutions with less than \$100M of assets (which would cover most of the third-tier lenders in this study plus many building societies and credit unions) totalled \$0.517 billion in 2010.

30. The Department of Internal Affairs estimates that the total annual value of personal loans by non-bank lenders is \$7.5 million⁷.

31. A recent Rabobank survey (March 2011) of 1,000 New Zealanders found two in three adults have debt, the most common being credit cards (36 percent) and mortgages (35 percent), personal loans (20 percent), overdraft (16 percent) and student loans (14 percent). Over half of those in debt felt uncomfortable with the amount outstanding, but felt they could not take steps to reduce it.

⁴ Defined as likely to be larger (often nationwide), offer interest rates that are comparable to mainstream banks, offer other services (such as investment or financial advice), and not lend to beneficiaries or people with poor credit histories.

⁵ Fringe lender characteristics and practices as defined in the 2006 study included:

- Small, often owner-operated
- Specialise in personal cash loans
- Higher interest rates than mainstream lenders
- Large administration fees out of proportion to the size of the loan
- Loans may be secured against personal property (e.g. cars, houses, household appliances)
- Items for security often worth considerably more than the loan
- Loan amounts are often small and repayment short term (sometimes even next pay day)
- Provide immediate availability of cash
- May offer pawn broking services
- May deal with defaulters through strategies such as “naming and shaming” (e.g. in community newspapers), holding ATM cards, garnishing benefit payments, etc.
- Targeted at specific communities (particularly ethnic communities, beneficiaries, low income neighbourhoods and those with poor credit ratings)
- Possibly less flexible terms and conditions
- Few credit checks and little paperwork to fill out
- May provide limited documentation or overly simplified contracts.

⁶ Household financial liabilities, assets and housing values: annual series 1978 to 2010.

⁷ Estimated based on a survey of non-bank non-deposit-taking lenders for the Anti-Money Laundering and Countering of Financing of Terrorism – Sector Risk Assessment, March 2011, Internal Affairs

32. Registered banks are the primary credit card issuers. There are currently 2.7 million issued credit cards. Of the \$5.3 billion in credit card debt, some 60% (i.e. \$3.3 billion) is attracting interest charges.
33. Dun and Bradstreet research, released in April 2011, suggests that nearly 30% of New Zealand consumers expect that they will rely on their credit card to cover unaffordable expenses, an increase from 25% in the September 2009 quarter⁸.
34. The New Zealand Federation of Family Budgeting Services undertook an analysis of users of their services. It found that in 2010, the average budget advisory service user had over \$30,000 of debt – a 26% increase from 2009. Of this debt, nearly \$5,000 was already overdue when the person sought budgeting advice.

⁸ For Christchurch consumers, 56% expect to have to rely on credit cards to cover unavoidable expenses (probably due to the recent major earthquakes in the area).

Methodology

35. The research involved a desk-only search of third-tier lenders to obtain information on:

- the number of third-tier lenders and outlets
- their location
- lending services offered
- how consumers can apply for loans – online, by telephone or in person
- whether they are registered on the Financial Service Providers Register (FSPR), and
- advertising in print media and on the Internet.

36. This research builds on and updates the report “Fringe Lenders in New Zealand: Desk research project, July 2006”.

Size and nature of the industry

37. The review began with the base list of fringe lenders from the 2006 research (the 2006 list). A search was undertaken to:

- Confirm which businesses on the 2006 list still existed
- Identify whether they had expanded their operations into new locations
- Update the list for any change in services offered

38. The names of each business on the 2006 list were searched on Google.co.nz, the Yellow Pages online directory, and UBD (a New Zealand online business directory that was used for the 2006 research).

39. An internet search to find new businesses was then done using Google.co.nz to search on the following keywords: Cash advance, Finance – mortgages and loans, Finance – motor vehicle, Finance companies, Financial services, Money – cash and loans, Money lenders, Pawnbrokers, Personal finance, Pay day loan⁹, Payday loan¹⁰. For each search, “NZ” was added to the keyword and the first three to four pages of each result were reviewed.

40. A small number of lenders were identified through the research on third-tier lender print media advertising, search of the Financial Service Providers Register (FSPR), or because they have previously come to the attention of the Ministry’s Consumer Advisors based in Auckland.

41. In the majority of cases, the lending services identified were specified by the lenders on their websites and in advertising. In some cases, no services were specified, but attempts were made to verify the type of loans provided by contacting the lender.

42. The FSPR was searched by the lender’s company or trading name, and business address. Details of lenders not found on the FSPR were given to the FSPR compliance team to follow up as a separate exercise.

⁹ Not used in the 2006 research

¹⁰ Not used in the 2006 research

43. The table below details the parameters used to summarise the information collected on third-tier lenders.

Company details	Lending services offered	Advertising	Contact methods
Name	Cash or personal loans	Own website	Free phone
City/region	Debt consolidation	Internet	Local/cell phone
Suburb (for the three main centres)	Pay day loans	Online yellow pages	Website
Nationwide or local	Refinancing	Online business directory	Street address
Offer online or telephone applications	Vehicle loans	Community newspapers	
Registration on the FSPR	Any other services offered, such as pawn broking ¹¹		

Advertising

44. The advertising mediums evaluated were community newspaper advertising and the websites of third-tier lenders which operate online. Only community newspapers were examined for lender advertisements for comparative purposes with the 2006 study. In 2006 the Ministry of Consumer Affairs' knowledge of the market indicated that third-tier lender advertising was mainly undertaken in community newspapers. Advertisements in broadcast media were not considered due to resource and time constraints and due to a view that these mediums may be too costly for many small scale third-tier lenders. Billboard and shop front advertising was not considered, again due to resource and time constraints.

45. Both advertising mediums were evaluated in a qualitative manner. Consideration was given to who the advertisements appeared to target and the features of the various credit products that were highlighted by the advertisements. A quantitative analysis of the prevalence and geographical location of third-tier lender community newspaper advertising was also undertaken.

46. The Nielsen Media Company Advertising Expenditure Report records the spending by specific businesses on various modes of advertising. A limited analysis was carried out on the television advertising expenditure of third-tier lenders.

Newspapers

47. The Alexander Turnbull Library collects copies of community newspapers. For this research, 175 newspapers from this collection (of about 215 community newspapers in total) from the period 5 April 2011 to 29 May 2011 were reviewed. The range of publication dates varied because of the frequency of the publications and when they were supplied to the library.

48. Samoan and Tongan language newspapers were collected and reviewed in a similar manner. Interpreters were used where available and the information added to the database. The dates of these newspapers are between 27 and 30 June 2011.

¹¹ Businesses that only offer a pawnbroking service were not included in this research as there is no evidence that pawnbroking credit provision is causing consumer concern or detriment. The research identifies lenders that offer pawn broking in addition lending.

49. Some newspaper advertisements did not mention a company name and merely asked viewers to call an individual for example “call Marina”. Advertisements without a loan company name on them have been discounted for the purposes of this project.

Websites

50. While collecting information about third-tier lenders, those with web pages had their websites recorded. Screenshots were taken of all websites on the homepage. The screenshots that were analysed include only that information that was on the homepage of the website.

Television

51. Data from the Nielsen Media Company Advertising Expenditure Report on spending on television advertising from 2006 was considered. This data contained 32 third-tier lenders who were recorded as having advertised on television at some stage since 2006. The content of this advertising was not reviewed.

Results: Size and Nature of the Third-tier Lending Industry

Number of lenders and outlets

52. A total of 218 lenders have been identified that met the third-tier lender definition.
53. Just under half (91) of the lenders identified in 2006 are still operating. The other 95 have either exited the market, or the lender name has change markedly and is therefore unable to be matched. One hundred and twenty seven new lenders were identified.
54. The number of third-tier lenders in 2011 represents an increase of 33 lenders (18 percent) since 2006, when 185 third-tier lender companies were identified. This increase is not considered to be significant because some of the increase may be because of the wider definition used in this survey than in 2006 (seven of the “new” nationwide lenders identified in this survey existed in 2006) and because of the inherent “errors” in the search methodology used in this research.

Table 1: Number of lenders

	No.	% of total
Lenders still operating from 2006	91	42%
“New” lenders	127	58%
Total lenders 2011	218	100%

55. The 218 lenders identified operate 336 outlets throughout New Zealand. This compares with approximately¹² 210 outlets in 2006, an increase of 126 outlets, or a 60 percent increase.
56. Of the estimated 210 third-tier lender outlets in 2006, approximately 103 (49 percent) were identified again in 2011. Seven lenders identified in 2006 had notable changes in the number of outlets they now have, some adding up to nine outlets, while one closed four outlets to become an online-only lender.
57. About 60 percent of new lenders are single outlets. Most of the remaining new outlets were two existing lenders with large networks moving into personal credit (Cash Converters and MTF Vehicle Finance).
58. Nearly half of all lenders (99, 45 percent) offer an online application process and 69 (32 percent) of all lenders have free phone numbers.
59. The majority of lenders (170, or 78 percent) operate only one outlet, while 26 (12 percent) operate more than one outlet. Twenty two lenders (10 percent) operate solely via telephone, internet or brokers e.g. Avanti Finance.
60. The 26 lenders who operate multiple outlets account for about half of all outlets. The table below shows the lenders with the most outlets.

¹² This number is estimated because a number of outlets that existed in 2006 were not identified

Table 2: Largest multi-outlet lenders

Lender	Number of outlets 2011
DTR Easi-cash	22
MTF Vehicle Finance	19
Instant Finance	18
Cash Converters	14
Easy Loans	12
Asset Finance	10
Adelphi Finance	8
Money Shop	6

61. Three nationwide lenders identified in the 2006 research had outlets around the country that were not included in the 2006 analysis of outlets. Combined, these lenders now have a total of 52 outlets.

Types of Loans Offered

62. The types of loans offered by the third-tier lenders are listed in Table 2 below. Most lenders offer more than one service. Cash or personal loans remain the most offered service, with 201 (92 percent) of lenders offering them.

63. The proportion of lenders offering each service is very similar to the 2006 research, with the exception of payday loans and pawn broking.

64. Thirty one lenders offer payday loans either as their only service (14 percent), or as an additional service. The 2006 research did not separate out payday loans as a service, probably because it was a relatively new feature in the credit market at that time.

65. The number of lenders offering the additional service of pawn broking has reduced, with only 18 (eight percent) of lenders offering this service, compared to 45 (24 percent) in 2006. One lender offers pawn broking and payday loans only.

Table 3: Type of loans offered

Loan type by lender	No.	% of total
Cash or personal loans	201	92%
Vehicle loans	97	45%
Debt consolidation	67	31%
Other ¹³	48	22%
Payday loan	31	14%
Pawnbroking	18	8%
Refinancing	9	4%

¹³ Includes mortgages, marine finance, and bridging finance.

Registration

66. A search of the FSPR by the company or trading name of lenders revealed that only 128 (59 percent) of the third-tier lenders identified in this research are registered under their trading name. Many lenders are sole traders and may be registered under their name rather than the trading name of their business. Allowing for this, it is estimated that about 35 percent are not registered.

67. This fairly high percentage may reflect that the requirement for registration is relatively new, and sole traders and very small businesses may not be aware of registration requirements. These providers are unlikely to be members of industry associations which advise their members of new legislative requirements.

Location of Third-tier Lenders

68. The regional breakdown indicates the highest lender concentrations are in the more populated regions. Table 3 provides a breakdown of lender outlets by region. As expected, Auckland has the highest concentration of lenders, with 127 (38 percent) which is comparable to the percentage found in 2006 (37 percent).

69. Table 4 provides a breakdown by city and suburb of lender outlets within the three main centres, Auckland, Christchurch and Wellington. The breakdown indicates that lenders tend to be concentrated in lower income communities. This mirrors the results from the 2006 research.

Table 4: Lender Outlets by Region

Region	Total outlets	% of Total
Auckland	127	38%
Canterbury	54 ¹⁴	16%
Wellington	39	12%
Waikato	22	7%
Bay of Plenty	20	6%
Manawatu - Wanganui	17	5%
Hawke's Bay	13	4%
Northland	11	3%
Taranaki	8	2%
Otago	6	2%
Southland	5	1%
Gisborne	4	1%
Tasman - Nelson	4	1%
Marlborough	3	1%
Wairarapa	2	1%
West Coast	1	less than 1%
Grand Total	336	100%

¹⁴ Includes several lenders that are not currently operating due to the recent large earthquakes in Canterbury.

70. Within the Auckland region, Manukau has the highest number of lender outlets (13) followed by Central Auckland (nine), Otahuhu and Onehunga (seven each). South Auckland, which includes Mangere, Manukau, Manurewa, Onehunga, Otahuhu, Papakura and Papatoetoe, has 47 (37 percent) of Auckland's lender outlets. This is lower than the proportion of Auckland lenders in South Auckland in 2006 (48 percent).

71. For Christchurch, third-tier lenders are concentrated in Riccarton (nine outlets), Sydenham (seven), Linwood (five) and the central city (six) accounting for 55 percent of outlets in Christchurch.

72. For the Wellington region lenders are concentrated in Lower Hutt (10 outlets) and Porirua (nine). Within Wellington City, lenders are concentrated in the central city and Newtown (eight).

73. The third-tier lender distribution found in 2011 is comparable to that found in 2006 with greater numbers lender outlets located in lower income areas.

Table 5: Lender Outlets comparison 2006 and 2011, Auckland, Christchurch and Wellington

		Outlets 2006		Outlets 2011	
		No.	%	No.	%
Auckland	Total	81	100	127	100
	South Auckland	39	48	47	37
	Rest of Auckland	42	52	80	63
Christchurch	Total	36	100	49	100
	Riccarton, Sydenham, Linwood and Central	7	19	27	55
	Rest of Christchurch	29	81	22	45
Wellington	Total	23	100	39	100
	Central (includes Newtown)	5	22	8	21
	Lower Hutt	7	30	10	26
	Porirua	4	17	9	23
	Rest of Wellington	7	30	12	31

Results: Advertising by Third-Tier Lenders

Advertising Prevalence

Distribution of Community Newspaper Advertising

74. A total of 175 community newspapers were reviewed out of an estimated total of 215.

75. It was found that 41 (19 percent) of the identified third-tier lenders had advertised in at least one newspaper reviewed. In 2006, 94 (51 percent) of third-tier lenders were found to have advertised in at least one newspaper reviewed. This represents a 63 percent decrease in the number of third-tier lenders using the mode of advertising. This is despite the fact that in 2006 fewer newspapers were reviewed (115 compared to 175). This data shows that newspaper advertising is considerably less widely used than it was in 2006.

76. Sixty six (39 percent) of the newspapers reviewed contained third-tier lender advertising. Thirty nine (23 percent) contained more than one advertisement.

77. Six Tongan and Samoan language newspapers were reviewed of which three contained advertisements for third-tier lenders. Of the three newspapers which contained advertisements, all contained more than one advertisement.

Table 6: Third-tier lender advertising in community papers by region

Region	no. of advertisements found	no. of publications with advertisements	no. of publications reviewed
Auckland	56	10	27
Wellington	24	11	18
Waikato	20	11	20
Canterbury	18	9	26
Bay of Plenty	14	8	11
Northland	12	5	7
Manawatu - Wanganui	5	4	11
Otago	5	2	9
Hawke's Bay	5	2	8
Taranaki	3	2	9
Southland	2	1	6
Gisborne	1	1	1
Nelson-Tasman	-	-	5
Marlborough	-	-	4
Great Barrier	-	-	1
West Coast	-	-	1
Chatham Islands	-	-	1
Total	165	66	

78. In terms of the number of advertisements found, the Auckland region stands out. It accounts for 37 percent of all the advertisements found and had more than double the number than any other region.

79. Two out of the three South Auckland publications reviewed, the Manukau Courier (19) and Papakura Courier (13), accounted for 57 percent of the advertisements found in the Auckland region and 19 percent of the total. These newspapers also had a high number of advertisements in the 2006 survey.
80. The high number of advertisements observed in South Auckland may reflect the concentration of lenders operating in South Auckland (47) or for those operating outside of the area to tap into the market. It may also suggest that community newspaper advertising is considered by lenders to be a worthwhile way to promote their businesses in South Auckland.

Table 7: Top 10 most prolific third-tier lender advertisers identified.

Third-tier lender	No. of advertisements	Focus Region(s)
Asset Finance	22	national
Instant Finance	19	national
Aqua Cars and Finance	16	Auckland, Waikato, Bay of Plenty
Adelphi Finance Ltd	8	Hawke's Bay, Wellington
Budget Loans Limited	8	Northland, Waikato, Bay of Plenty
Pioneer Finance	6	Manawatu – Wanganui, Taranaki, Wellington
Chequers Finance	5	Auckland, Waikato, Bay of Plenty
Crazy Cat Loans	5	Canterbury, Southland
Fair City Finance	5	Canterbury (Christchurch)

81. The two most prolific advertisers, Asset Finance and Instant Finance, operate nationally and promote their businesses across a number of publications and regions. Other lenders tended to focus their advertising on their areas of operation.

Internet Presence

82. Of the third-tier lenders identified 118 (54 percent) had a website to advertise their services and 99 lenders (or 45 percent of all third-tier lenders) allowed consumers to apply for credit online.
83. The number of third-tier lenders with websites has increased since 2006 when 86 (46 percent) were found to have websites. This represents a 15 percent increase in the use of websites by third-tier lenders.

Television Advertising Spend

84. Thirteen (six percent) third-tier lenders were found from the Nielsen Media Company Advertising Expenditure Report, to have spent money on television advertising in 2010. Comparatively, 32 (15 percent) have advertised on television at some stage during the period from 2006-2010. This suggests that the companies which have advertised using this medium in the past are doing less of this type of advertising.
85. The thirteen third-tier lenders that advertised on television during 2010 spent a total of \$7,150,305 on television advertising. The amount spent ranged from \$1,459 by a small local lender to \$5,378,915 and \$1,388,692 by two providers with multiple outlets across New Zealand. Excluding these two companies the television advertising spend was very low at \$382,698 for the other eleven companies.

86. Given the relatively low level of spending on television outside of that of GE Money and Instant Finance, it can be inferred that television advertising is not a major means of promotion by third-tier lenders.
87. It is noted that the Nielsen Media Company Advertising Expenditure Report may not have included some of the identified third-tier lenders. For example Cash Converters is known to have advertised on television and this company is not captured in the Nielsen Media Company Advertising Expenditure Report data.

Advertising Content

88. Advertising content was considered for newspaper and website advertising.

Targeting

89. There are clearly different targeting approaches taken by lenders who advertise in newspapers compared with those who communicate advertising messages through their websites. Because of the cost and limitations of print advertising, newspaper advertisements tend to be simple, emphasise a range of products and loan values and clearly lay out how to contact the lender. Additionally these advertisements appear more likely to promote the use of credit to meet day to day costs.
90. Conversely, lenders who use their website to convey advertising messages tend to be more aspirational, using images of glamorous young people, things to buy, and emphasising the speed and ease of obtaining credit.
91. It is likely that the differences between the advertising messages of the two mediums reflect the different target markets that they are trying to reach. It can be inferred that lenders who provide their services online target this loan product to young people and potentially those with higher incomes. This is reflected in the use of imagery of young people and things to buy such as holidays, weddings and cars and language such as “some things just can’t wait”. It is likely that younger, wealthier people are comparatively more likely to have the means to obtain credit online and to be confident doing so. This is reflected in the messages.
92. Comparatively, newspaper advertisements appear to be more targeted towards lower income earners. The advertisements are less aspirational in nature and less likely to emphasise having it all now. Messages such as “unexpected bills to pay”, “repair the car” and “need money now?” are evidence of this different targeting approach.

Credit Features Emphasised

Ease and speed of obtaining credit

93. Advertisements in both mediums evaluated emphasise the speed and ease of obtaining credit regardless of credit history or level of income. The advertisements make it clear that almost anybody can obtain a loan. This is particularly true of websites which allow online applications. The following quotes emphasise this:
- We guarantee you credit; and
 - Cash loans as fast as 60 minutes.

Flexibility

94. Many advertisements by third-tier lenders emphasise the range of credit products available, the range of needs for which credit will be provided and the flexible repayment terms. This is true of both newspapers and websites and can be illustrated with the following quotes:

- Quick loans from \$100-\$1000; and
- Tailor made service that meets everyone's financial requirements.

Affordability

95. None of the newspaper advertisements and very few of the websites viewed, stated an annualised percentage interest rate outright. Instead the affordability of the credit product is communicated by stating how low weekly repayments can be (without mentioning how many weekly repayments will be required to fully repay the loan). This is somewhat less common with online lenders who instead often provide a personalised loan calculator. This practice can be seen in the following examples:

- This month get \$4000 for less than \$55 per week; and
- Payments start from \$30 per week.

Normality

96. Some advertising seeks to normalise the use of third-tier credit products and may even normalise over-indebtedness. The idea that lots of people use these products can be communicated in advertising by using imagery of people with whom viewers can relate to or admire, by emphasising a family lending environment or by publishing positive customer feedback on websites. The following examples illustrate this practice:

- "I needed 200 bucks to pay a bill, signed up for a payday loan in minutes and got my money the same day!" (on a website);
- Meet our customers; (clicks through to customers) and
- Stacey Jones – Kiwi Legend.

Aspiration

97. Websites, in particular, frequently use the aspirational goals of consumers to promote their credit products. Such sites glamorise credit by emphasising goods that money can buy and showing images of attractive and happy, young people. This technique does not appear to be as pronounced in newspaper advertising. Although this message is primarily conveyed through imagery, text examples include:

- Where your dreams become reality; and
- Some things can't wait.

Incentives

98. A marketing technique which has been identified in both newspaper and website advertising is the offering of rewards for taking out loans and for referring others. Examples of this technique are as follows:

- Finance your next car through... and we'll fill the tank for you; and
- \$100 petrol voucher, \$100 cash, \$100 grocery voucher, \$100 Mad Butcher voucher, \$100 Warehouse voucher.

Appendices

Appendix 1: Search Criteria

Confirming lenders on the 2006 list

The business names were searched on the following websites:

- www.google.co.nz
- www.ubd.co.nz
- www.yellowpages.co.nz

Identifying new lenders

The following search terms were used to search Google. The first three to five pages of each search result were reviewed to identify new lenders.

- Cash advance NZ
- Finance – mortgages and loans NZ
- Finance – motor vehicle NZ
- Finance companies NZ
- Financial services NZ
- Money – cash and loans NZ
- Money lenders NZ
- Pawnbrokers NZ
- Personal finance NZ
- Pay day loan NZ
- Payday loan NZ

Appendix 2: Newspapers Reviewed

Publication Title	Issue date	Region
Akaroa Mail and Banks Peninsula Advertiser, The	20/05/2011	Canterbury
Ashburton Guardian	19/05/2011	Canterbury
Aucklander - Central	19/05/2011	Auckland
Aucklander - East	19/05/2011	Auckland
Aucklander - North	19/05/2011	Auckland
Aucklander - South	19/05/2011	Auckland
Aucklander - West	19/05/2011	Auckland
Barrier Bulletin	18/05/2011	Great Barrier
Bay Chronicle, The	19/05/2011	Northland
Bay Harbour News	9/02/2011	Canterbury
Bay News	19/05/2011	Bay of Plenty
Bay Weekend (Eastern Bay of Plenty)	21/05/2011	Bay of Plenty
Bush Telegraph (Tauranga)	16/05/2011	Bay of Plenty
Cambridge Edition	18/05/2011	Waikato
Capital Times	18/05/2011	Wellington
Central Canterbury News	18/05/2011	Canterbury
Central District Times	17/05/2011	Manawatu - Wanganui
Central Leader	20/05/2011	Auckland
Chatham Islander	1/05/2011	Chatham Islands
CHB Mail	17/05/2011	Hawke's Bay
Christchurch Mail - Shirley	18/05/2011	Canterbury
Clutha Leader	19/05/2011	Southland
Coastal News	19/05/2011	Waikato
Cook Straight News	18/05/2011	Wellington
Coromandel Peninsula Post	19/05/2011	Waikato
Coromandel Town Chronicle	05/2011, Vol 15, Iss.5	Waikato
Courier Country	18/05/2011	Otago
Courier Newspaper (Mid Canterbury)	17/05/2011	Canterbury
Courier, The	19/05/2011	Canterbury
Daily Post, The (Central North Island, Rotorua)	19/05/2011	Bay of Plenty
Dargaville and Districts News	28/05/2011	Northland
Devonport Flagstaff	20/05/2011	Auckland
District Monitor (Rangitikei)	19/05/2011	Manawatu - Wanganui
Doubtless Bay Times	11/05/2011	Northland
East and Bays Courier	19/05/2011	Auckland
Eastbourne Herald	30/04/2011	Wellington
Eastern Bay News	19/05/2011	Bay of Plenty
Eastern Courier (Auckland)	18/05/2011	Auckland
Ellesmere Echo	30/03/2011	Canterbury
Ensign	20/05/2011	Southland
Epoch Times	2 May - 5 June 2011	Auckland
Featherston Phoenix	May 2011, Iss. 4	Wellington
Feilding Herald	19/05/2011	Manawatu - Wanganui
Fiordland Focus	4/05/2011	Southland
G.B. Weekly	20/05/2011	Nelson-Tasman
Geraldine News, The	12/05/2011	Canterbury
Guardian (Motueka)	18/05/2011	Nelson-Tasman
Gulf News (Waiheke)	19/05/2011	Auckland
Hamilton News	13/05/2011	Waikato

Publication Title	Issue date	Region
Hamilton Press, The	18/05/2011	Waikato
Hastings Leader	18/05/2011	Hawke's Bay
Hastings Mail	18/05/2011	Hawke's Bay
Hauraki Herald	20/05/2011	Waikato
Havelock North Village Press	17/05/2011	Hawke's Bay
Hawkes Bay Today	11/05/2011	Hawke's Bay
Hibiscus Matters	18/05/2011	Auckland
High Country Herald	16/02/2011	Canterbury
Hokitika Guardian	19/05/2011	West Coast
Horowhenua Chronicle	20/05/2011	Manawatu - Wanganui
Horowhenua Mail, The	19/05/2011	Manawatu - Wanganui
Howick and Botany Times	18/05/2011	Auckland
Howick and Pakuranga Times	19/05/2011	Auckland
Hurunui News	12/05/2011	Canterbury
Hutt News, The	17/05/2011	Wellington
Independent Herald	18/05/2011	Wellington
Informer, The	26/04/2011	Waikato
Kaiapoi Advocate	20/05/2011	Canterbury
Kaikoura Star	18/05/2011	Marlborough
Kaiwaka Bugle	5/04/2011	Northland
Kapi-Mana News	17/05/2011	Wellington
Kapiti News	18/05/2011	Wellington
Kapiti Observer	19/05/2011	Wellington
Katikati Advertiser	18/05/2011	Bay of Plenty
Leader (Richmond-Waimea)	19/05/2011	Nelson-Tasman
Leader (Nelson)	19/05/2011	Nelson-Tasman
Mahurangi Matters	18/05/2011	Auckland
Mainland Press	18/05/2011	Canterbury
Malvern Record	17/05/2011	Canterbury
Manawatu Guardian	19/05/2011	Manawatu - Wanganui
Manukau Courier	19/05/2011	Auckland
Marlborough Midweek	18/05/2011	Marlborough
Matamata Chronicle	18/05/2011	Waikato
Mid Canterbury Herald	18/05/2011	Canterbury
Mirror (Central Otago)	18/05/2011	Otago
Motueka and Golden Bay News	19/05/2011	Nelson-Tasman
Mountain Scene	19/05/2011	Otago
Napier Courier	18/05/2011	Hawke's Bay
Napier Mail	18/05/2011	Hawke's Bay
News (Lakes District and Central Otago)	19/05/2011	Otago
Newslink	19/05/2011	Southland
North Canterbury News	17/05/2011	Canterbury
North Harbour News (Auckland)	20/05/2011	Auckland
North Shore Times	20/05/2011	Auckland
North Waikato News	18/05/2011	Waikato
Northern Age	19/05/2011	Auckland
Northern Courier	11/05/2011	Wellington
Northern News	18/05/2011	Northland
Northern Outlook	18/05/2011	Canterbury
Nor-West News (Auckland)	19/05/2011	Auckland
Nor-West News (Christchurch)	16/05/2011	Canterbury

Publication Title	Issue date	Region
Oamaru Mail, The	1/05/2011	Otago
Observer, The	16/05/2011	Canterbury
Opotiki News	19/05/2011	Gisborne
Opunake and Coastal News	19/05/2011	Taranaki
Otago Southland Farmer	20/05/2011	Otago
Otaki Mail	29/05/2011	Wellington
Papakura Courier	18/05/2011	Auckland
Patea and Waverley Press	1/05/2011	Taranaki
Pegasus Post (Linwood - South Brighton)	23/05/2011	Canterbury
Petone Herald and Harbour Ward	18/05/2011	Wellington
Piako Post	18/05/2011	Waikato
Pipiwaharoa	1/05/2011	
Plains Profile	20/05/2011	Waikato
Pohutukawa Coast Times	20/05/2011	Auckland
Porirua News	18/05/2011	Wellington
Post (Waiuku and Districts) (Q Card ?)	10/05/2011	Auckland
Queenstown Mirror	18/05/2011	Otago
Raglan Chronicle	19/05/2011	Waikato
Rangitikei Mail	17/05/2011	Manawatu - Wanganui
Review	1/05/2011	
River City Press	19/05/2011	Manawatu - Wanganui
Rodney Times	19/05/2011	Auckland
Rotorua Review	18/05/2011	Bay of Plenty
Rotorua Weekender	20/05/2011	Bay of Plenty
Ruapehu Bulletin	17/05/2011	Manawatu - Wanganui
Ruapehu Press	18/05/2011	Manawatu - Wanganui
Saturday Express (Marlborough)	21/05/2011	Marlborough
Selwyn Times	17/05/2011	Canterbury
South Taranaki Star	19/05/2011	Taranaki
South Waikato News	18/05/2011	Waikato
Southern Rural Life	11/05/2011	Southland
Southern View	16/02/2011	Canterbury
Southland Express	19/05/2011	Southland
Star, The (Dunedin)	19/05/2011	Otago
Star, The (with the NZ Herald - Canterbury)	18/05/2011	Canterbury
Stratford Press	26/05/2011	Taranaki
Sun, The (Blenheim, Marlborough)	18/05/2011	Marlborough
Taieri Herald	17/05/2011	Otago
Taupo Times	20/05/2011	Waikato
Taupo Weekender	19/05/2011	Waikato
Te Awamutu Courier	19/05/2011	Waikato
Te Puke Times	18/05/2011	Bay of Plenty
Tom Fitzroy	29/04/2011	Taranaki
Tom Oakura	30/04/2011	Taranaki
Tom Okato	1/05/2011	Taranaki
Tribune, The	18/05/2011	Taranaki
Turangi Chronicle	19/05/2011	Waikato
Upper Hutt Leader	18/05/2011	Wellington
Waiheke Marketplace	18/05/2011	Auckland
Waiheke Weekender	19/05/2011	Auckland
Waihi Leader	18/05/2011	Waikato

Publication Title	Issue date	Region
Waimate Advertiser	20/05/2011	Canterbury
Wainuiomata News	18/05/2011	Wellington
Wairarapa Midweek	17/05/2011	Wellington
Wairarapa News	18/05/2011	Wellington
Wairoa Star	19/05/2011	Hawke's Bay
Waitaki Herald	18/05/2011	Canterbury
Waitara Angle	18/05/2011	Taranaki
Waitomo News	19/05/2011	Waikato
Wanaka Sun	18/05/2011	Otago
Wanganui Midweek	18/05/2011	Manawatu - Wanganui
Weekend Sun, The	20/05/2011	Bay of Plenty
Wellingtonian, The	19/05/2011	Wellington
Western Leader (Auckland)	20/05/2011	Auckland
Western News	16/05/2011	Canterbury
Whakatane Beacon	20/05/2011	Bay of Plenty
Whangarei Leader	17/03/2011	Northland
Whangarei Report, The	19/05/2011	Northland
Winton Record	1/05/2011	Southland
Taimi o Tonga	29/06/2011	NZ and Australian Edition
Samoa Times	27/06/2011	NZ and Australian Edition
Samoa Observer	28/06.2011	NZ and Australian Edition
Le Samoa News	28/06/2011	
Kakalu Tonga	30/06/2011	Tonga and NZ
Koe Talaki	22/06/2011	NZ, Australia and USA