

Investigation into the impacts of recent changes under the Credit Contracts and Consumer Finance Act 2003

Terms of Reference

Context

In response to recent concerns, the Minister of Commerce and Consumer Affairs has asked the Council of Financial Regulators (CoFR) - Kaunihera Kaiwhakarite Ahumoni (Ministry of Business, Innovation and Employment Hīkina Whakatutuki, Reserve Bank of New Zealand Te Pūtea Matua, Financial Markets Authority Te Mana Tātai Hokohoko, Commerce Commission Te Komihana Tauhokohoko and The Treasury Te Tai Ōhanga) to conduct an investigation into the initial implementation of recent changes to the Credit Contracts and Consumer Finance Act 2003 (CCCFA) that came into force on 1 December 2021. This investigation will be led by MBIE with critical input from other CoFR agencies.

Objective

The objective of the investigation is to identify any impacts of the recent CCCFA changes that came into force on 1 December 2021, considering the scale and nature of the impacts, to assess what, if any, further actions are needed.

Role of CoFR agencies

MBIE as the relevant policy agency will lead the investigation, including engagement with stakeholders, in collaboration with CoFR agencies. CoFR agencies will provide input to the investigation as well as review and feedback on the conclusions and recommendations of the draft and final reports in accordance with their relevant functions.

Scope

The scope of the investigation is to look at the intended or unintended impacts, beyond those expected by the initial implementation, of the parts of the Credit Contracts Legislation Amendment Act 2019 and Credit Contracts and Consumer Finance (Lender Inquiries into Suitability and Affordability) Amendment Regulations 2020 that came into force on 1 December 2021 primarily in relation to mortgage, but also other lending, by banks and non-bank lenders in the current consumer credit market.

Lines of inquiry

The proposed lines of inquiry set out in Figure One overleaf seek to identify and gather available relevant information to discover potential impacts and identify if there are any potential problems that warrant further consideration. A potential outcome is that more work will likely need to be done to fully understand actual impacts.

Indicative timeframes

Initial advice is anticipated in early-mid February, followed by further advice in April.

Figure One: Lines of inquiry

