

Submission on *Exposure draft of updated Credit Contracts and Consumer Finance Regulations 2004 and Responsible Lending Code*

Your name and organisation

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Organisation (if applicable)	Consumer NZ
Contact details	Privacy of natural persons

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Responses to questions

1	Do you agree with the way that the draft Regulations are phrased? If not, what changes would you make?
	Yes, we agree with the way the draft Regulations are phrased.
2	Do you agree with the way that the guidance relating to expenses is communicated in the Draft Code? If not, how do you suggest it is improved?
	Yes, we agree with the way the guidance relating to expenses is communicated in the Draft Code. However, we consider clause 5.6 would benefit from simplification.
3	Should the guidance be limited to certain types of expenses e.g. food? Are there other practices for estimating expenses that the Code should endorse?
	No. We consider it would be useful to include another example such as a gym membership or TV streaming/gaming subscriptions. Nothing that we're aware of.
4	Is the new wording in the Draft Code on how lenders may apply a reasonable surplus to comply with regulation 4AF(2)(b)(i) relating to changes to expenses clear? If not, how do you suggest it is improved?
	No – we think the first sentence of clause 5.19 should be clarified.
5	Do you have any other proposals for additional guidance on surpluses?
	No.
6	Is the updated guidance and examples on 'obvious' affordability helpful? If not, how could they be improved?
	Yes, we consider the updated guidance is helpful. However, there are typographical errors in the first line of clause 5.26 – "that" is repeated and the second to last line of the final example says "the K" instead of "K". Also, the sentence "K has no other lending" may be better phrased as "K has no other debt".
7	Do you have any other proposals for additional guidance and examples for 'obvious' affordability?
	Yes, we wonder whether the second example should include further detail - such as the fact they have no other debt. If, for example, they had a rental property, purchased an expensive car on credit, or had substantial credit card debt or personal loans, it may not be obvious the borrowers could make the payments without substantial hardship.
8	Would any of these initial changes require changes to lender systems before they could come into force? If so, what are the likely timeframes for making these changes?
	No comment.

Other comments

No comment.