

**Exposure Drafts of updated Credit Contracts and Consumer Finance Regulations 2004 and Responsible Lending Code
Ministry of Business, Innovation and Employment (MBIE)**

Salvation Army Submission – 20 April 2022

1. The Salvation Army supports the amendments in this Exposure Drafts. This submission summarises some of our general views on the legislation. However, we note that the tight timeframe given by MBIE for organisations to respond is too short and ill-placed (i.e. around the Easter holiday break) for us to gather sufficient, meaningful insights from our frontline services to contribute to these kinds of reviews. MBIE needs to do better in providing timeframes that we as the community sector can work with, and not just timeframes that fit government bureaucratic timelines.
2. The amendments in this Exposure Drafts are very detailed and, in our view, focussed more on the responsibilities and practices of lenders. These are positive changes. Our short submission is from a consumers or community perspective based on our national network of financial mentors and budgeters who work directly with people around problem debt, loans problems and other financial hardship issues.
3. Overall, we are supportive of the recent changes to the CCCFA. We have affirmed these views and positions in various submissions over the last 12-months, including to MBIE's Buy Now Pay Later review, and other recent investigations into CCCFA reforms. Our recent position was also reinforced in the joint letter The Salvation Army signed on 08 March 2022 that was directed to all political party spokespeople with commerce and consumer affairs portfolios.¹ This letter was jointly signed with 9 other community organisations and emphasised our collective support for the current set of CCCFA reforms. This remains our position regarding the details in this Exposure Drafts.
4. We contend that the key aspect of this joint letter, which is relevant to this Exposure Drafts, is the strengthening of lender responsibilities and affordability assessments carried for consumers. We are aware that various lenders have recently pushed back on some of these reforms, claiming they are too restrictive or onerous for them. The Salvation Army believes that these reforms are beginning to and already striking a good balance between the needs and responsibilities for both the lender and consumer. Furthermore, changes that help support the consumer's perspectives, especially vulnerable consumers, should be welcomed.
5. The true focus behind these reforms should be *responsible lending* from lenders to ensure that borrowers are not taking on problem or crippling unaffordable debt that will put their whanau in risky financial wellbeing situations. Responsible lending is enforced by these recent reforms, as well as in these Exposure Drafts. The reforms could be clarified better to guarantee that the lending/borrowing process is not unnecessarily hindered. But again, lenders should be held to high responsible lending standards and practices given the financial instability for many people and whanau in this current season of very high inflation and cost of living. Any changes to the CCCFA or its regulations, or to the Responsible Lending

Code, that improve responsible lending from lenders is in our view something that we should wholeheartedly embrace. And when these changes translate to better practice from lenders in doing robust affordability assessments for potential borrowers, this allows organisations like The Salvation Army who work with whanau in financial hardship to better support and advocate for these people and whanau at the grassroots.

6. Our frontline financial mentors are already seeing the positive impact of these recent changes. One financial mentor in Auckland anecdotally noted that a lender their client dealt with *before* the December 2021 changes was now applying the post-December 2021 CCCFA changes to the borrower to help in their affordability assessment and ensure the borrower could truly afford the loan. We submit these changes to practice and procedures garner more trust for the lending industry, and helps safeguard borrowers from damaging lines of problem debt.
7. In conclusion, we affirm our support of the changes detailed in these Exposure Drafts. We acknowledge the complaints that lenders have made, and we believe the amendments in the Exposure Drafts help clarify better the true intent of the reforms. In the end, responsible lending and building greater trust and protection for borrowers is crucial with these Drafts. From a community, consumer, and borrower perspective, we again contend that faster and streamlined lending processes should not take priority over ensuring borrowers are protected, assessed comprehensively, and trust in the responsible lending practices of the lender they are engaging with.
8. The mission of The Salvation Army Te Ope Whakaora is to care for people, transform lives and reform society by God's power. The Salvation Army is a Christian church and social services organisation that has worked in New Zealand for over one hundred and thirty years. It provides a wide range of practical social, community and faith-based services, particularly for those who are suffering, facing injustice or those who have been forgotten and marginalised by mainstream society.
 - a. The Salvation Army employs almost 2,000 people in New Zealand, and the combined services support around 140,000 people annually. In the year to June 2021, these services included 70 centres providing around 88,000 food parcels including more than 33,000 families and individuals as well 19,000 to other agencies, 4,000 people with transitional housing, almost 600 in social housing, over around 4,000 families and individuals were supported with whanau support/social work, around 7,600 people received help with addiction services, over 800 assisted with prison reintegration services, almost 4,400 families and individuals were helped with financial mentoring.
 - b. This submission has been prepared by the Social Policy and Parliamentary Unit (SPPU) of The Salvation Army. The SPPU works towards the eradication of poverty by advocating for policies and practices that strengthen the social framework of New Zealand. This submission has been approved by Commissioner Mark Campbell, Territorial Commander of The Salvation Army's Aotearoa New Zealand Fiji Tonga, and Samoa Territory.
9. For any queries, please contact: Ronji Tanielu Privacy of natural persons

ⁱ <https://www.fincap.org.nz/wp-content/uploads/2022/03/open-letter-for-website.pdf>