

19 June 2024

Submitted via: [consumer@mbie.govt.nz](mailto:consumer@mbie.govt.nz)

Consumer Policy  
Building, Resources and Markets  
Ministry of Business, Innovation & Employment  
Wellington

**RE: Fit for purpose consumer credit legislation Discussion document**

North Harbour Budgeting Services support the recommendations in FinCap's submission regarding Fit for Purpose Consumer Credit Legislation discussion document.

*Transition between Commerce Commission and Financial Markets Authority*

It is essential that investigations and actions continue, and potentially accelerate, should the FMA take over responsibilities. A frustration for financial mentors, and their clients, is the time it takes to both get an investigation underway and for the investigation to be concluded.

FinCap's "principles for better financial services enforcement" should be regarded as the minimum to protect all borrowers.

*Bring all lenders causing harm into CCCFA affordability assessments.*

Buy Now Pay Later ("BNPL") issues are well-explained in FinCap's submission. We believe BNPL should be accounted for in the same way as any other loan company as it is credit in our mind. In particular, the use of credit reporting in lieu of affordability checking is totally inadequate and misleading. The use of affordability assessments would reduce the pain inflicted on both the borrowers and the lenders.

Phone handsets and ongoing plans are often the first debts that borrowers take on. It is not unusual for most younger clients to have this type of debt (which often they don't recognise as such) with the second most prolific debt in this demographic being BNPL accounts (often multiple).

*Prohibit disabling devices/immobilisers as collection tools in vehicle lending*

Lenders always explain these as "protections" against theft, discretionary and typical insurance products will provide this protection. They are always mandatory and, as FinCap points out, have a cost to install (typically added to the amount borrowed) and with ongoing rental fees.

*The CCCFA should better prevent "debt overhang" arising*

To reiterate what FinCap submitted, debt overhangs, where unaffordable lending has been proven, are a massive systemic issue which dispute resolution services will not rule on. The Commerce Commission has, we understand, sought guidance on this issue with a prosecution it is taking against a vehicle finance company. The CCCFA should be amended to address this major shortcoming.

*Make changes where the CCCFA is enabling rather than helping remedy family harm issues*

We would extend FinCap and Good Shepherds' recommendations to include debts taken on by clients in their name only but clearly for the sole benefit of their partner (whose credit would never be acceptable).

#### *Debt collection*

There is a wide range of differences between the multiple debt collectors active in New Zealand. Consistency of practice and rules surrounding debt collection would be helpful. It is not uncommon for threats of asset seizure, court action and issuing credit defaults to appear in communications sent to borrowers.

FinCap's two recommendations are supported.

#### **Responses to consultation questions:**

FinCap's responses are all supported. Additional comments are added where appropriate.

*Q1*

No additional comment.

*Q2*

No additional comment.

*Q3*

No additional comments.

*Q4*

No additional comment.

*Q5*

No additional comment.

*Q6*

No additional comment.

*Q7*

No additional comment.

*Q8*

No additional comment.

*Q9*

No additional comment.

*Q10*

No additional comment.

*Q11*

No additional comment.

*Q12*

No additional comment.

*Q13*

No additional comment.

*Q14*

No additional comment.

*Q15*

Agents of lenders, particularly involving car loans, typically do not provide (nor necessarily understand) information on the add-on products that are available from the lenders. They pressure borrowers to “close the deal” with all add-on products (which are part of the resulting debt) being included. We would doubt that many borrowers take the time (or are permitted to take the time) to read and understand loan and associated documents/products.

*Q16*

No additional comment.

*Q17*

No additional comment.

*Q18*

No additional comment.

*Q19*

No.

*Q20*

Not applicable.

Q21

Not applicable.

Q22

No additional comment.

Q23

No additional comment.

Q24

Not applicable.

Q25

No additional comment.

Q26

No additional comment.

Q27

No additional comment.

Q28

No additional comment.

Q29

No additional comment.

Q30

No additional comment.

Q31

Agree with FinCap comments on other alternatives and particularly seeking assistance from financial mentors.

Q32

Positive. We see fewer clients with high-cost loans and payday lenders have either gone or reduced their interest rates to 49.95%, but typically no lower. Reducing the threshold to 30% will be positive.

The reality is, for a person to need to access a high-cost loan their credit rating is likely to be very low and their financial capability poor.

*Q33*

It is not unusual for a client to have used up all less-expensive lending (or having been refused additional accommodation) and then need to access higher-cost alternatives as a last resort.

*Q34*

No further comment

*Q35*

No comment.

*Q36*

Strongly support 30%, although would prefer lower.

*Q37*

Not applicable.

*Q38*

Those accessing high-cost loans will generally be desperate and vulnerable. Those unable to access credit other than high-cost loans need to seek input from the likes of financial mentors to assist them with their financial situation.

*Q39*

We would prefer 20%.

*Q40*

The current provisions have seen the demise of payday lending. I recall clients with multiple payday loans ranging from 100% to 500%. There was never a good outcome for these clients and financial mentors are gratified to not see these sorts of loans presenting.

*Q41*

No additional comment.

*Q42*

No additional comment.

*Q43*

No additional comment.

Q44

No additional comment.

Q45

Yes. Prohibit them.

Q46

### **Introducing our organisation and community**

North Harbour Budgeting Services Inc. operates from Devonport to the Hibiscus Coast of Auckland. We have assisted clients for over 20 years after 5 Citizens Advice Bureaux budget services combined to start our service.

We have seen over 1000 individuals this year both one to one or in group situations. NHBudgeting prides itself on empowering clients to achieve their goals.

Our clients range from 16 years of age to our 90+ years old, slightly more females than males and ranging from working to no income. We work in our community including in hospitals and prisons. 30% of our clients are of Māori decent and 28% are of Pacifica decent with the rest being pakeha and other nationalities.

We have a strong mentor staff made up of paid and volunteers who are all trained and encouraged to do yearly professional development. We support many clients through disputes resolution when required.

We are seeing a huge rise in need and the complexity of cases, a rise in severe hardship cases and a rise in the working poor. All of these areas have their own degree of support need which we are always evolving to meet. Cost of living and price of accommodation is challenging for all and we continue to see a rise in homelessness.

### **Conclusion**

Thank you for considering our submission.

Please contact Claudette Wilson, General Manager, North Harbour Budgeting Services on Privacy of natural persons Privacy of natural persons to discuss any aspect of this submission further.

Ngā mihi,

Privacy of natural persons

General Manager  
North Harbour Budgeting Services Inc.