



Cabinet Economic Development Committee

Minute of Decision

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Review of Consumer Credit Regulation: Release of Discussion Paper and Proposed Amendment to Section 99(1A) of the Credit Contracts and Consumer Finance Act 2003

Portfolio Commerce and Consumer Affairs

On 20 June 2018, the Cabinet Economic Development Committee:

Discussion paper

- 1 **noted** that the Ministry of Business, Innovation and Employment has undertaken initial research to review the Credit Contracts and Consumer Finance Act 2003 (the Act), including the 2015 reforms that introduced responsible lending provisions;
- 2 **noted** that the review has found some positive results from the 2015 reforms, but that serious issues remain, including:
 - 2.1 the high cost of credit;
 - 2.2 continued irresponsible lending;
 - 2.3 predatory behaviour by mobile traders;
 - 2.4 unreasonable fees;
 - 2.5 harmful debt collection practices;
- 3 **noted** that the discussion paper *Review of Consumer Credit Regulation* (the discussion paper), attached to the paper under DEV-18-SUB-0121 includes a range of options to address these concerns, including interest rate caps and increasing existing levies paid by lenders;
- 4 **noted** that consultation documents have been written to target a wide audience, and that a media strategy is being developed to reach individual consumers;
- 5 **agreed** to the release of the discussion paper, subject to any minor or technical amendments that may be required;

Section 99(1A)

- 6 **noted** that on 10 May 2017, the previous government agreed that:
- 6.1 section 99(1A) of the Act be amended, so that in future a lender has the right to apply to a court for relief from the presumption of 100 percent forfeiture of all interest and fees;
 - 6.2 where a lender breaches section 99(1A) of the Act in the period before its amendment:
 - 6.2.1 the lender should not have the right to apply for relief from the courts, in respect of any interest and fees it must forfeit for the period between the breach and the entry into force of the amended section 99(1A) of the Act; but
 - 6.2.2 the lender should have the right to apply for relief from the courts, in respect of any interest and fees it must forfeit for the period between the entry into force of the amendment and the date the breach is discovered and remedied;

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- 7 **confirmed** the decisions referred to in paragraph 6 above;

Legislative implications

- 8 **noted** that the Credit Contracts and Consumer Finance Amendment Bill (the Bill) currently has a **S 9 (2) (f) (iv)** on the 2018 Legislation Programme **S 9 (2) (f) (iv)**

9 **S 9 (2) (f) (iv)**

10 **S 9 (2) (f) (iv)**

- 11 **invited** the Minister of Commerce and Consumer Affairs to issue drafting instructions to the Parliamentary Counsel Office to give effect to paragraph 6 above;

- 12 **authorised** the Minister of Commerce and Consumer Affairs to make minor or technical changes, consistent with the policy framework in the paper under DEV-18-SUB-0121, on any issues that arise during drafting;

Communication

- 13 **noted** that the discussion paper, the paper under DEV-18-SUB-0121, and the previous Cabinet papers relating to section 99(1A) will be published on the Ministry of Business Innovation and Employment's website.

