Submission on discussion document: Consumer Credit Regulation Review

Your name and organisation

Name	
Organisation	

Responses to discussion document questions

Regarding the excessive cost of some consumer credit agreements

1	Do you agree that the problems identified with high-cost lending (even where it is compliant with the CCCFA) are significant? Do you have any information or data that sheds light on their frequency and severity?
	[Insert response here]
2	Do you support any of the extensions of Cap Option A? What would be the impact of these extensions on borrowers, lenders and the credit markets? Do you have any information or data that would support an assessment of the impact of these extensions?
	A percentage is meaningless unless it relates to time. i.e. 100% over a month is very expensive but if the loan looks likely to stretch out for years it is very likely the lender would consider the earliest termination possible. *Potential extensions.* *I can not agree with these as they can lead to considerabl hardship and embarresement to the borrower.* ***Example:*** ***A loan is taken out to repair a car. Before that loan is paid off an electricity bill comes in. If the electricity bill is not paid and payment RECEIVED by the company by the due date the bill goes up by 10%.*** ***If this lead to 1 or 2 days overdue this is equivalent to between <u>3640% and 1820%</u>*** ***<u>It is far more responsible to approve a pay day loan.</u>***
3	Do you agree with our assessment of the costs and benefits of the options for capping interest and fees? Are any costs or benefits missing? Do you have any information or data that would help us to assess the degree or estimate the size of these costs and benefits?
	Fees are cost based so any cap could lead to cross subsidising.

4	Do you have any suggestions for the design of options for capping interest and fees? If so, what would be the impact of your proposed design on borrowers, lenders and the credit markets?
	[Insert response here]
5	Which interest rate cap options, if any, would you prefer? Which interest rate options would you not support? Please explain how you made your assessment.
	I would not support cap options as they lead to some people not being able to borrow at all even if they have got a genuine requirement.

Regarding continued irresponsible lending and other non-compliance

6	If directors have duties to take reasonable steps to ensure that the creditor complies with its' CCCFA obligations, should any duties apply to senior managers?
	No. If more duties apply to senior managers it would be very difficult to engage a manager for any finance organisation. It could also lead to a fall guy being appointed to that position.
7	If there are to be more prescriptive requirements for conducting affordability assessments, what types of lenders or loans should these apply to?
	[Insert response here]
8	Should there be any change to the requirement that lenders can rely on information provided by the borrower unless the lender has reasonable grounds to believe the information is not reliable? What would be the impact of such a change on borrowers, lenders and the credit markets?
	No there should be no change. it is not helpful to infer that borrowers are lying. *There can be considerable time involved in verifying information and therefore a considerable increase in establishment fees.*
9	Do you consider there should be any changes to the current advertising requirements in the Responsible Lending Code? If so, what would be the impact of those changes on borrowers, lenders and the credit markets?
	OK as is.

10	Do you agree with our assessment of the costs and benefits of the options to reduce irresponsible lending and other non-compliance? Are any costs or benefits missing? Do you have any information or data that would help us to assess the degree or estimate the size of these costs and benefits?
	OK as is.
11	Do you have any suggestions for the design of options for reducing irresponsible lending and other non-compliance? If so, what would be the impact of your proposed options on borrowers, lenders and the credit markets?
	Have the law redrafted in plain language and complete, so that a person of average ability and understanding can read and understand the law without the need for the high costs involved with legal advice.
12	Which options for reducing irresponsible lending and other non-compliance would you support? Which would you not support? Please explain how you made your assessment.
	[Insert response here]

Regarding continued predatory behaviour by mobile traders

13	Do you agree with our assessment of the costs and benefits of the options for covering additional credit contracts under the CCCFA? Are any costs or benefits missing? Do you have any information or data that would help us to assess the degree or estimate the size of these costs and benefits?
	[Insert response here]
14	Do you have any suggestions for the design of options for covering additional credit contracts under the CCCFA? If so, what would be the impact of your proposed options on borrowers, lenders and the credit markets?
	[Insert response here]
15	Which options for changes to cover additional credit contracts would you support? Which would you not support? Please explain how you made your assessment.
	[Insert response here]

Regarding unreasonable fees

16	If prescribed fee caps were introduced, who should they apply to, and what process and criteria should be used to set them?
	[Insert response here]
17	Do you agree with our assessment of the costs and benefits of the options for capping interest and fees? Are any costs or benefits missing? Do you have any information or data that would help us to assess the degree or estimate the size of these costs and benefits?
	[Insert response here]
18	Do you have any suggestions for the design of options for reducing unreasonable fees? If so, what would be the impact of your proposed options on borrowers, lenders and the credit markets?
	Fees are already cost based therefore any real reduction can only come from reduced compliance costs. *Otherwise they would be cross subsidised.*
19	Which options for changes to fees regulation would you support? Which would you not support? Please explain how you made your assessment.
	I would not support any of the options suggested. Any change can only come reduced compliance costs. *Otherwise they would have to be cross subsidised.*
20	Have you seen issues with excessive broker fees, or other unavoidable fees charged by third parties, being added to the loan? If so, are there any specific changes that should be made to the regulation of third-party fees? What would be the impact of these changes on lenders, borrowers and third parties?
	[Insert response here]

Regarding irresponsible debt collection practices

21	Is this an accurate picture of the problems for consumers experiencing debt collection? Do you have information that confirms or refutes these issues, or sheds light on how widespread or severe they are?
	[Insert response here]

22	What information should be provided to borrowers by debt collectors? When and how should this information be provided?
	[Insert response here]
23	Do you agree with our assessment of the costs and benefits of the options for addressing irresponsible debt collection? Are any costs or benefits missing? Do you have any information or data that would help us to assess the degree or estimate the size of these costs and benefits?
	[Insert response here]
24	Do you have any suggestions for the design of options for addressing irresponsible debt collection? In particular, what is an appropriate frequency of contact with debtors before (and then after) a payment arrangement is entered into? Please state the likely impact of your proposed options on borrowers, lenders and the credit market.
	[Insert response here]
25	Which options for changes to the regulation of debt collection would you support? Which would you not support? Please explain how you made your assessment.
	[Insert response here]

Regarding other issues

26	Are you seeing harm from loans to small businesses, retail investors or family trusts as a result of them not being regulated under the CCCFA?
	[Insert response here]
27	Do you think small businesses, retail investors or family trusts should have the same or similar protections to consumers under the CCCFA? Please explain why/why not.
	No.
28	Are there any other issues with the CCCFA or its impact on vulnerable people that are not addressed in this discussion paper? If so, what options should MBIE consider to address these issues?

[Insert response here]

Any other comments

We welcome any other comments that you may have.

NONE COMPLIANCE

There is a very common fault with modern or even historical law writing. Law writers are consistently using very vague and unspecific wording.

Law appears to be written with the main interest of enhancing the need for legal interpretation and thereby profession security in mind.

We are very grateful for the work of the Commerce Commission in interpreting the written law but if the law was written in plain language the work of the Commission would be reduced considerably.

The borrowers and lenders that the law is there for would be able to understand what is expected.

This would lead to much greater compliance.

COSTS OF BORROWING

In considering the need for change I wish to draw your attention to the reality that every existing and added requirement has a time and therefore cost to it.

Any further requirements for assessment's etc., would increase the cost of borrowing.

PRE PAYMENT FORMULA

It is confusing for the borrower where there is a formula for prepayment on loans, this includes Banks.

Borrowers are better informed when it is a set amount that is disclosed at the beginning of a contract.

With some lenders there is no charge others have a set fee of around $50.

HIGH COST LENDERS

More meaningful submissions can be made when high cost lending is defined

OTHER VERY IMPORTANT MATTERS NOT ADDRESSED

COMMISSION AND OTHER INCENTIVE SELLING or UPSELLING

Commission and other incentive selling has proved very destructive throughout the finance sector in the Western world.

PAYMENT SYSTEMS

DIRECT DEBIT

Direct Debits used by Banks, Bank associated finance companies and some large finance companies lead to considerable hardship if a payment is not met on the due date. It can double or triple before the borrower or utility user has their next pay. This can lead to their Bank account being emptied out before they buy food etc.

Were Direct Debiting is required the Bank account holder looses control of their income

In nearly all cases Direct Debits CANNOT be cancelled by the account holder.