Submission by Westforce Credit Union

Submission on discussion document: Consumer Credit Regulation Review

Your name and organisation

Name	Victor Martick
Organisation	Westforce Credit Union

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?
	The Credit Union believes that problems identified with high-cost lending are indeed significant and in particular the effect that these high-cost loans have on lower income borrowers in terms of causing them increased financial hardships. These lower income borrowers are already suffering hardships, and with little choice, tend to revert to high-cost loans just to try and put food on the table and make ends meet. The high cost of repaying these loans are leading to increased long-term hardships for these borrowers and once engulfed in this cycle of debt, they find it nigh impossible to get out. This is further compounded by the fact that some lenders who pose as responsible lenders are consistently guilty of predatory lending. These lenders operate legally under the laws of New Zealand and are legally permitted by law to charge exorbitant interest rates. By allowing this to continue, these predators are essentially exploiting low-income borrowers with the blessing of the government.
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?
	The Credit Union does not support Cap A and therefore does not support the extensions of Cap A by default.
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?
	The Credit Union mostly agrees with the assessment of costs and benefits of the capping options; however, we are in disagreement with a few points relating to the assessment, specifically in terms of the cost assessment of Cap Option C. *The Credit Union believes that if Cap Option C leads to the closing of high-cost lending business, this would not be a cost, but rather a benefit to those who have been repeatedly and consistently targeted by the predatory practises of many of these businesses.* *Credit Unions offer short-term loans at much lower interest rates than those associated with high-cost lenders, in fact, Westforce Credit Union goes as far as offering interest free short-term loans (up to 3 months) to members of the Credit Union. This indicates that there are viable alternatives available to individuals and families with short-term cash flow difficulties and the harm assessment related to this point would therefore potentially not be as great as assessed.* *The Credit Union is of the opinion that Cap Option C is less likely to lead to price-coordination and more likely to lead to lower rates as responsible lenders increase their efforts to compete for market share by offering more competitive (and lower) interest rates.* *Illegal lending is an ever present evil in the market, but this does not mean that it would necessarily increase at the implementation of Cap Option C. Having already demonstrated that viable alternatives to high-cost lending do exist, the Credit Union believes that this, in conjunction with tougher sanctions on, and increased policing of illegal lending may well lead to better long-term, overall protections for borrowers.*
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?
	The Credit Union believes that capping interest rates on loans at 30% per annum (as per Cap Option C), regardless of the term of the loan constitutes both responsible and moral lending while being fair to the lender and the borrower. Having noted the assessment of the cost and benefits to borrowers and lenders of Cap Option C, the Credit Union believes that cost mitigation strategies should be implemented along with Cap Option C to ensure the continued protection of borrowers from high-cost and illegal lending practice. *By shutting out high-cost lending, predatory lenders will be removed from the market and responsible lenders will increase their efforts to both address the gap in the market as well as increase their efforts to capture market share by offering more competitive rates. This would benefit the market and borrowers by ensuring that (for the most part) only reputable and responsible lenders remain in the market.* *To further protect borrowers from the pitfalls of illegal lending, borrower education initiatives, tougher sanctions on illegal lenders and increased policing activities for illegal lending should be implemented.*
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.
	The Credit Union is in support of Cap Option C and is of the opinion that capping interest on loans at 30% per annum, no matter the term of the loan, constitutes responsible and moral lending. We believe that this option would be the most significant in terms of reducing the contribution of high-cost loans to financial hardships and further reduce irresponsible lending.

	As such, the Credit Union will not support Cap Options A or B as we believe that these options fall short of protecting low-income borrowers from irresponsible and predatory lending practises.

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 response.
7	If there are to be more prescriptive requirements for conducting affordability assessments, what types of lenders or loans should these apply to?
	No response.
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 response.
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?
	No response.
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?
	No response.
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?
	No response.

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.
	No response.

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?
	No response.
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?
	No response.
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.
	No response.

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?
	No response.
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?
	Please see the Credit Union's response to Question 3.
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?
	No response.
19	Which options for changes to fees regulation would you support? Which would you not support? Please explain how you made your assessment.
	No response.
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?
	No response.

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?
	No response.
22	What information should be provided to borrowers by debt collectors? When and how should this information be provided?
	No response.
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?
	No response.
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.

	No response.
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.
	No response.

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?
	No response.
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 response.
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?
	No response.

Any other comments

	We welcome any other comments that you may have.
	No response.