



## COVERSHEET

<b>Minister</b>	Hon Kris Faafoi	<b>Portfolio</b>	Commerce and Consumer Affairs
<b>Title of Cabinet paper</b>	Review of Consumer Credit Regulation – further policy recommendations	<b>Date to be published</b>	14 October 2019

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
28 August 2019	Review of Consumer Credit Regulation – further policy recommendations	Office of Hon Kris Faafoi
28 August 2019	DEV Minute: Review of Consumer Credit Regulation: Further Policy Proposals	Cabinet Office
28 August 2019	Impact Summary: Review of Consumer Credit Regulation – further policy recommendations	MBIE

### Information redacted

### YES / NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of confidentiality of advice to Government and that making the information available would constitute contempt of the House of Representatives.



# Cabinet Economic Development Committee

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Review of Consumer Credit Regulation: Further Policy Proposals

**Portfolio** Commerce and Consumer Affairs

On 28 August 2019, the Cabinet Economic Development Committee (DEV):

- 1 **noted** that the Credit Contracts Legislation Amendment Bill (the Bill):
  - 1.1 was introduced to Parliament in April 2019 [LEG-19-MIN-0029];
  - 1.2 is the result of a review that identified ongoing issues in the credit market and significant harm to vulnerable consumers from problem debt;
- 2 **noted** that the Bill addresses these issues by strengthening requirements to lend responsibly, especially in relation to:
  - 2.1 requirements regarding how affordability and suitability tests should be conducted;
  - 2.2 limiting the accumulation of interest and fees on high-cost loans;
  - 2.3 providing new remedies and penalties for non-compliance;
- 3 **noted** that on 19 September 2018, DEV agreed to cap accumulated interest and fees of a high-cost loan, and any loan that repays or replaces it, to 100 percent of the original loan principal [DEV-18-MIN-0204];
- 4 **agreed** to include a direct limit on the interest rate and fees (calculated together) of 0.8 percent per day on a high-cost loan, in addition to the proposal referred to in paragraph 3 above;
- 5 **agreed** to review the interest rate cap three years after it has been in force;
- 6 **agreed** that the interest rate cap will come into force on 1 June 2020;
- 7 **agreed** to amend the Credit Contracts and Consumer Finance Act 2003 (the Act) to ensure all credit contracts entered into between mobile traders and borrowers have the same protections as consumer credit contracts for the purposes of the Act;
- 8 **agreed** to a new regulation-making power in the Act to enable a requirement to be imposed in regulations on lenders to provide contact details of financial support services to borrowers who are in arrears (for example, at the same time as overdue payment reminders);

Confidential advice to Government

**Legislative implications**

- 11 **agreed** to give effect to the above proposals through a Supplementary Order Paper, if needed, to the Bill, [REDACTED] Confidential advice to Government [REDACTED]
- 12 **invited** the Minister of Commerce and Consumer Affairs to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above paragraphs;
- 13 **authorised** the Minister of Commerce and Consumer Affairs to design the interest rate cap to give effect to the above decisions;
- 14 **authorised** the Minister of Commerce and Consumer Affairs to make minor additional policy decisions and technical changes, consistent with the policy intent of the paper under DEV-19-SUB-0233, on issues that arise in the drafting of the Supplementary Order Paper;
- 15 **authorised** the Minister of Commerce and Consumer Affairs to work with Parliamentary Counsel Office to design anti-avoidance provisions, if required, so that future loan products cannot be designed to avoid Cabinet's decisions relating to the paper under DEV-19-SUB-0233;
- 16 [REDACTED] Constitute contempt of Court/House of Representatives [REDACTED]
- 17 **noted** that these policy changes are in line with the broader policy direction of protecting consumers from predatory and irresponsible lending.

Janine Harvey  
Committee Secretary

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**Present:**

Hon Grant Robertson (Chair)  
Hon Dr Megan Woods  
Hon Chris Hipkins  
Hon Carmel Sepuloni  
Hon David Parker  
Hon Iain Lees-Galloway  
Hon Jenny Salesa  
Hon Damien O'Connor  
Hon Willie Jackson  
Hon James Shaw  
Hon Julie Anne Genter  
Hon Eugenie Sage

**Officials present from:**

Office of the Prime Minister  
Officials Committee for DEV

**Hard-copy distribution:**

Minister of Commerce and Consumer Affairs