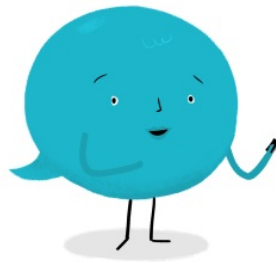


Consumer lending changes

Laws around lending money to consumers in New Zealand are changing. When borrowing money from your bank, you may find the process takes longer and is more involved.



Credit Contracts and Consumer Finance Act

The Credit Contracts and Consumer Finance Act 2003 (or 'CCCFA') requires all lenders, including banks, who enter into 'consumer credit contracts' in New Zealand to take necessary steps to lend responsibly, including checking that lending is suitable and affordable.

A consumer credit contract will generally exist where lending is to a person for personal use, such as through a home loan, credit card, arranged overdraft or personal loan. Such contracts typically take the form of a customer agreement (such as a home loan agreement) or the standard terms and conditions of a product (such as a credit card account) to which a customer agrees to abide.

Changes have been made to the CCCFA to impose stricter obligations on all lenders, including banks, to ensure that lending to consumers is both affordable and suitable in order to help further protect these consumers from unaffordable debt.

Why the change?

The purpose of these changes is to protect consumers. The changes provide further protections to make sure that lenders only provide you credit if they've made appropriate inquiries and are satisfied it is likely the lending will be suitable and affordable for you.

What to expect

From 1 December 2021, the process of applying for lending from your bank may feel significantly more detailed and involved. This will be the case even if you have an established relationship with your bank or you are only

applying for a small loan or a top up to existing lending.

Lenders will need to take extra steps to make sure it is not difficult for you to pay back a loan, even if it is simply an increase to a credit limit, or a top up to existing lending. This means it will likely take you longer when you apply for lending.

In particular, banks now need to collect a lot more information from you than they previously would have, and they need to check the information is correct. Banks will require you to provide detailed information about your financial situation. This information needs to be *recent* and *reliable*, including evidence of your income, debts and expenses. Your bank may ask for documents showing your recent transaction history (for at least the last 90 days), as well as other information that allows them to verify your debts and expenses.

These changes may also mean that some lending, which was previously approved, will no longer be approved. This may be because of the more detailed expense information you need to provide, which provides a clearer picture of whether you can easily repay the loan, or new requirements to ensure reasonable surpluses or buffers when checking affordability.

Tips/Tricks

- **Set aside enough time when you are planning to go through the credit application process with your bank.**

The changes will mean more detailed discussions with your bank when you apply, more information that has to be provided to the bank, and further checks to ensure that information is correct. Make sure you leave enough time for this more involved process.

- **Be patient with your bank while they work through this process.**

It will likely take more time than it has previously. Be assured that these changes have been made to help ensure that all consumers obtain suitable and affordable credit from lenders.

- **Be prepared.**

When you apply for credit, come armed with recent and detailed information regarding your financial situation – including information showing your recent income, debts and expenses for at least the last 90 days.

When you look at your own expenses, think about how those might change or may continue when you get the lending. Specific, personalised expenses need to be captured by the bank, and the clearer you can be about what your expenses will look like moving forward, the more efficient and accurate the credit application process with your bank will be.

- **Be clear about your purpose for applying for lending from your bank, and how much you want to borrow.**

Your bank will need to understand from you clearly why you are borrowing, and how much you are wanting to borrow. Understand your purpose for borrowing and be prepared to explain this to your bank.

Complaint

If you consider your bank has not treated you fairly and you are unhappy with its response to your concerns, you

can contact us. We can look at complaints about a bank's breach of a statutory obligation or industry code. We cannot consider complaints about a decision on whether to lend, but can consider complaints about administrative errors with a lending application.

More information

For further information about the changes to the CCCFA, visit the websites of the [Commerce Commission](#), or the [Ministry of Business, Innovation and Employment](#).

See the [Commerce Commission Responsible Lending handout](#).

Our Quick Guides [Credit laws and banking](#), [Concerns about loan decisions](#) and [Guaranteeing someone's debt](#) also have information about credit contracts.

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