



FINANCIAL SERVICES FEDERATION

MEDIA RELEASE

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Crunch time for consumer credit rules says FSF – Getting it right matters for every New Zealander

It's crunch time for New Zealand's consumer credit rules, and specialist lenders are urging lawmakers to strike the right balance this time.

The Financial Services Federation (FSF) says Parliament's Finance and Expenditure Committee now has a crucial responsibility in shaping the future of lending in New Zealand, as it sifts through submissions on another round of proposed changes.

- This includes the **Credit Contracts and Consumer Finance Amendment Bill**, which seeks to unwind some of the more oppressive conditions placed on lenders in December 2021 through the last review. It also provides the legislative framework for the transfer of consumer credit regulation from the Commerce Commission to the Financial Markets Authority (FMA).
- The Committee has a big job on its hands, also assessing submissions on the **Financial Markets Conduct Amendment Bill** which among other things proposes a single market services licensing regime for financial services providers.

With federation members representing 49% of personal consumer loans in New Zealand – from vehicle finance companies and non-bank mortgage providers, credit unions and asset leasing providers – the FSF is urging lawmakers to strike the right balance this time.

“Past reviews and reforms have missed the mark, adding costs and complexity without delivering better outcomes for borrowers,” says FSF Executive Director Lyn McMorran. “Despite clear warnings from the sector that the last round of reforms would create unnecessary barriers to accessing credit, changes ploughed ahead anyway. The result? Lending all but grounded to a halt at the end of 2021, and many everyday New Zealanders found it harder than ever to access the credit they needed for a home, a car, or simply managing through life's transitions.”

The proposed amendments are vital to restore balance, making responsibly provided credit more accessible while ensuring clear protections for consumers.

“This is about putting credit back within reach of everyday Kiwis while keeping consumer protection safeguards in place,” McMorran says.

“Responsible lenders want to help customers, not lock them out to search for the lender of last resort, and enforcement of responsible lending laws to deal to players who may act outside of these is key.

“The transfer of regulatory responsibilities from the Commerce Commission to the FMA is not simply a change in signage, the FMA is resourced and structured to take a more assertive approach to bring irresponsible lenders to account.”

The FSF says getting these reforms right will boost consumer choice and help fuel broader economic growth through investment in innovation and competition.

“We’re calling for a period of stability once these reforms are through, so lenders can focus on serving customers and investing in better products – not constantly retooling to keep up with shifting regulatory goalposts,” says McMorran.

“Credit laws might not be the most glamorous headline, but these decisions impact how New Zealanders live, work and get ahead. This time, it’s essential we get the balance between access and protection right.”

Top 5: What FSF’s calling for in its submissions

1. FSF supports remaining common-sense protections

FSF supports several consumer protections that will remain in the Act and, provided these are properly enforced, does not believe that proposed changes will see an increase in irresponsible lending. These include retention of the definition of high-cost lending, restrictions on interest that lenders can charge and the legislative protections from oppressive contracts and oppressive behaviours.

2. Directors and senior managers (Page 7 - CCCF Amendment Bill submission)

FSF supports removing the provision that makes senior managers and directors of consumer credit providers personally liable (to the tune of \$200,000) for any breach of the Act, which also cannot be insured or indemnified against. Removal will give confidence to good people to remain in the sector and attract others to it.

Further, as we stated in the last reforms, FSF saw it as a significant inhibitor to access to credit as it would lead to credit providers taking an overly conservative approach to avoid the possibility of the personal liability – and so it came to pass.

3. Two sides to a contract (Page 5 - CCCF Amendment Bill submission)

FSF has once again asked officials to consider reintroducing section 9C(7) as one of the Lender Responsibility Principles, which was removed in the 2019 amendments.

This clause stated that the lender may rely on information provided by the borrower or

guarantor unless the lender has reasonable grounds to believe the information is not reliable.

A credit contract is just that, a contract between two parties. The lender has the obligation to lend responsibly, ensure the product is suitable to meet the borrower's objectives, is provided affordably, that the borrower is provided sufficient information to make an informed decision about taking out the loan, and that the borrower is treated fairly throughout the loan, including if they find themselves in a situation of financial stress.

On the other side of the coin, FSF believes it is also important that there is an obligation for the borrower to provide accurate information about their income and expenditure at the time of applying for the loan, that they are satisfied they understand the terms of the loan they are entering into and to advise if they do not, and that they inform the lender of changes in their circumstances particularly where these might impact their ability to repay. The removal of Principle 9C(7) from the Act largely took away any obligation on the part of a borrower to act responsibly with respect to their side of the contractual relationship with the lender.

FSF believes this principle should be reinstated, making it clear in the Responsible Lending Code that, if lenders are not satisfied that they can rely on the information provided, they should make further inquiries or seek more verification particularly where they assess the borrower could be in more vulnerable circumstances.

4. Disproportionate disclosure consequences (Page 3 - CCCF Amendment Bill submission)

FSF supports proposals to remove section 99(1A), which in effect could make a lender liable to refund all costs associated with a loan (interest and fees) for even a small error in disclosure like a wrong digit in a phone number. This consequence would be disproportionate with such a technical legal breach, especially if there was no harm to the consumer.

The Reserve Bank estimates this has the potential to impact the financial system by almost \$13 billion, money that could instead be going to investing in better products for consumers and businesses.

Borrowers must of course receive complete and accurate disclosure in relation to their loan, and while their rights would not be removed or minimised with the repeal of this clause, it would remove an anomaly with disproportionate consequences.

5. Streamlining licences (Page 2 - FMCA Bill submission)

Currently, there are multiple, separate licences which financial services providers must have in order to operate.

The proliferation of overlapping licensing regimes by previous governments adding layer upon layer of different regulatory requirements has long been something the FSF has argued against. The fact that a financial institution could be required to hold six different licences for what is essentially the same activity is messy, regulatory overreach.

The Financial Markets Conduct Amendment Bill aims to introduce a single market services licensing regime, a welcome alternative to current requirements that will remove undue compliance costs and improve outcomes for consumers - another common-sense approach.

Full submissions:

- Credit Contracts and Consumer Finance Amendment Bill Submission [here](#)
- Financial Markets Conduct Amendment Bill Submission [here](#)

For more information or an interview request please [get in touch](#).

About the [Financial Services Federation](#):

The (FSF) is the non-profit industry association for specialist financial services providers who are not registered banks. Its members collectively reach 1.7million New Zealanders, and support both businesses and consumers across the country with competitive and innovative options from traditional finance providers.

FSF's 99 members include finance, leasing and credit-related insurance providers, and include the likes of Turners, UDC, MTF, several credit unions and building societies, and the finance arms of global motor vehicle brands including Toyota, Nissan, Honda, BMW, and Mercedes-Benz (see the full member list [here](#)).

With 60 years of history, FSF has stringent membership criteria and enforces a Code of Conduct to maintain high standards in responsible non-bank lending. FSF members prioritise compliance, support consumer protection enforcement, and advocate for balanced regulations that ensure New Zealanders have access to responsibly-provided credit.