

# Changes to consumer lending and how it affects you

Laws around lending money to consumers in New Zealand have changed and it may take you longer when you borrow. It's important to know how these changes affect you and what to expect as a borrower. This information has been put together for you by the Financial Services Federation and the New Zealand Bankers' Association.

## Who is this information for?

This information is to help you, as a consumer, understand how and why your experience when borrowing money (including getting a loan or credit card) from a finance company or bank might look and feel a little different from now on.

## Why have things changed?

The government has made some changes to how money is lent to consumers in New Zealand to help protect you against unaffordable debt.

The changes mean it may take you longer when you borrow because lenders will need to take extra steps to make sure it's not difficult for you to pay back a loan.

Whether you're borrowing from a new lender to buy a dishwasher, a return customer upgrading your car on finance, getting a home loan, or extending your credit card limit, these new requirements could affect you. The changes apply to both new consumer lending and changes to existing lending.

If a lender isn't asking you detailed questions about your financial situation, they may not be following the law.

## What are the changes?

From 1 December 2021, your lender can no longer entirely rely on information you provide at face value. They now need to collect extra information from you and check the information is correct. This means:

- You will need to provide your lender detailed information about your financial situation, including your income, debts, and expenses. Lenders may ask for documents showing your recent transaction history, or other information that allows them to verify your debts and expenses.

- The credit application process may seem longer and more involved, even if you are only applying for a small loan or a top up to existing credit.
- You may find that some lending, which was previously considered responsible, will no longer be approved. This may be because of the more detailed expense information you need to provide, which shows a clearer picture of whether you can easily repay the loan. It might also be because of new requirements on lenders to ensure reasonable surpluses or buffers when checking that you can afford the loan.
- See the Commerce Commission or Ministry of Business, Innovation and Employment websites for other changes you may expect from the new process.

## Responsibilities as a consumer

There are two players in getting a loan – a lender and a borrower. It is important that you as a borrower:

- Act honestly and provide full and accurate information when entering a credit contract.
- Check the lending is right for you, and affordable, and suitable for your circumstances before you go ahead.
- Read and understand the contract terms and conditions, ask if you do not understand the contract, and keep a copy of it.
- Contact your lender if your circumstances change or something needs updating.
- Contact your lender or a financial mentor as soon as possible if something goes wrong, so they can provide help and discuss options.

## Legal stuff: What legislation has changed?

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

Anyone found to be breaking this law could be taken to court by the Commerce Commission, which enforces those lending laws.

The CCCFA was reviewed in 2019 to include stricter rules around how lenders must make their decisions to lend, to help further protect consumers from unaffordable debt.

The changes to the CCCFA were included in the Credit Contracts Legislation Amendment Act, new Regulations under the CCCFA, and the updated Responsible Lending Code. Most of these changes came into effect on 1 December 2021.

## What if you're declined?

If a lender has declined your loan application, it's because they don't believe it would be responsible to provide you with debt that may not be suitable for you, or that you may not be able to repay it.

Sometimes it's hard to step back from your own finances and see the big picture. When you feel like this, it's important to talk to someone independent – not another lender. MoneyTalks is a free and confidential financial helpline that can connect you with financial mentors and other community services.



Email: [help@moneytalks.co.nz](mailto:help@moneytalks.co.nz)  
[www.MoneyTalks.co.nz](http://www.MoneyTalks.co.nz)

## Making a complaint

If you believe things have gone wrong with your credit contract, and talking to your lender doesn't help, you can make a complaint to an independent and free dispute resolution scheme:

### Banking Ombudsman Scheme

0800 805 950

[help@bankomb.org.nz](mailto:help@bankomb.org.nz)

[www.bankomb.org.nz](http://www.bankomb.org.nz)

### Insurance & Financial Services Ombudsman Scheme (IFSO)

0800 888 202

[info@ifso.nz](mailto:info@ifso.nz)

[www.ifso.nz](http://www.ifso.nz)

### Financial Services Complaints Ltd (FSCL)

0800 347 257

[complaints@fscl.org.nz](mailto:complaints@fscl.org.nz)

[www.fscl.org.nz](http://www.fscl.org.nz)

### Financial Dispute Resolution Service (FDRS)

0508 337 337

[enquiries@fdrs.org.nz](mailto:enquiries@fdrs.org.nz)

[www.fdrs.org.nz](http://www.fdrs.org.nz)

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