



FINANCIAL SERVICES FEDERATION

MEDIA RELEASE

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A step in the right direction, but more to be done to fix lending in New Zealand

The non-bank lending sector represented by the Financial Services Federation (FSF) says the removal of the one-size-fits-all CCCFA consumer lending regulations is a step in the right direction to help improve access to credit for consumers, but there's more to be done.

The FSF is the industry association for non-bank lenders committed to responsible lending, with its members collectively reaching 1.7 million New Zealand businesses and consumers and providing competition to registered banks through their agility and innovation.

The CCCFA still requires lenders to abide by the principle that they will not lend to people who cannot afford to make the repayments without substantial hardship, and there are still substantial penalties for lenders who breach this principle, says FSF Executive Director, Lyn McMorran.

“This still means lenders have robust responsible lending obligations, but the removal of the one-size-fits-all regulations means an ability to use expertise to make measured judgement calls on a case-by case basis, rather than treating all consumers the same.”

One thing the 2021 changes did get right was introducing a definition into the law of high-cost lending, and the parameters that were applied to high-cost loans with respect to the maximum interest and fees that could be applied to these. The FSF believes these changes have had the desired effect of limiting high-cost lending, with not a single consumer accessing a high-cost loan last year, according to a statutory review of the provisions released by MBIE in May.

But there is more work to be done to streamline New Zealand's over-complicated financial services regulatory system, says McMorran.

The FSF agrees with Commerce and Consumer Affairs Minister Andrew Bayly that successive governments, albeit with the right intentions, have added layer upon layer of compliance requirements on the financial services sector without any one of them stepping back and looking at the overall regulatory framework to consider where there are overlaps or gaps.

It has also led to higher compliance costs for providers which are inevitably passed on to the customer.

In the FSF's view, more work needs to be done to be certain that the Minister's suggestion of moving the enforcement of the CCCFA from the Commerce Commission to the FMA will necessarily lead to lower compliance costs for institutions.

One area which the FSF believes needs attention is the substantial personal liability of directors and senior managers of consumer credit providers and the inability to be indemnified (by insurers or others) in respect of any pecuniary penalty imposed under the CCCFA.

"We support fair and robust enforcement penalties, however this is impacting the risk appetite for lenders and competition to banks, particularly for smaller lenders as a \$200,000.00 fine is a substantial personal liability for a director or senior manager of a small finance company.

"It's a deterrent for good people to enter the sector and those already there to put their hand up for senior roles. This is not serving New Zealand's financial services system well, especially when we need to be boosting an environment for competition."

The FSF is pleased that the Minister is listening to the concerns of financial services providers with respect to the complexity of the regulatory framework, and that he is committed to improving it for both regulated entities and consumers.

FSF looks forward to the Minister and FMA Chief Executive Samantha Barrass addressing the sector at its [conference](#) on 22 October.

For more information or an interview request please contact Hannah McKee at hmckee@fsf.org.nz

About the [Financial Services Federation](#):

The (FSF) is the non-profit industry association for non-bank lenders committed to responsible lending, with its members collectively reaching 1.5million New Zealanders, and supporting consumers and businesses across the country through innovation and competition.

FSF's 99 members include ethical finance, leasing and credit-related insurance providers, and include the likes of UDC Finance, MTF, Auto Finance Direct, 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 58 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.