



FINANCIAL SERVICES FEDERATION

MEDIA RELEASE

31 January 2023

CCCFA reforms - good news for Kiwi consumers

A new vision for the regulation of New Zealand's overly complex financial services sector - one that recognises not all Kiwis are vulnerable consumers - is a step in the right direction, says the Financial Services Federation (FSF).

The (FSF) is the industry association for non-bank lenders committed to responsible lending, with its members collectively reaching 1.7 million New Zealanders, and supporting consumers and businesses across the country through innovation and competition.

In response to plans [officially announced](#) by Commerce and Consumer Affairs' Minister Andrew Bayly on Wednesday, the FSF feels the sector is being listened to.

CCCFA

"We will always support the intent to protect vulnerable consumers, but the sector signalled in submission after submission in 2018 the negative consequences which the overly prescriptive Credit Contracts and Consumer Finance Act (CCCFA) affordability regulations would have on everyday New Zealanders' access to credit," says FSF Executive Director Lyn McMorran.

"We are just as committed now as we were then to get a better outcome for businesses and consumers and are delighted to be part of the conversation about how the regime could be improved to ensure that all New Zealanders, including those in vulnerable circumstances, can have access to responsibly provided credit when they need it."

The FSF fully supported the initial changes to the Act that put 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 the amount of high-cost lending that is taking place in New Zealand.

"The FSF will be working with the Minister and his officials to develop a CCCFA regime that will provide the necessary protections to those consumers who need them, but which does not treat every borrower as being vulnerable or incapable of managing their own finances.

“We have already provided some suggestions as to how this could be achieved to provide a sustainable regulatory framework for consumer credit that will serve New Zealand consumers for years to come.”

Over-regulation

The FSF agrees with Minister 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.

The resultant complex licensing regimes for various aspects of a financial services provider’s business has also sadly led to a lack of access to appropriate financial products for many consumers – an example being the affordability regulations of the CCCFA which, rather than protecting vulnerable consumers from irresponsible lending practices as they were intended to do, has resulted in many people being excluded from access to responsibly-provided credit because they don’t tick all the boxes. The question is, since the need is still there, where do they then go?

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

CoFI

The FSF also supports the Minister’s request to the FMA that they issue clear guidance for smaller institutions to meet their conduct requirements.

FSF agrees with the Minister that it is essential that all financial services providers have in place fair conduct programmes that cover aspects of their businesses that ensures they:

- Engage appropriately with their clients and customers;
- Develop new policies and products to be fit for purpose and meet regulatory requirements;
- Establish transparent fee structures and charging arrangements, particularly if they work with intermediaries;
- Have an adequate complaints process.

One to watch

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.

“It is the experience of FSF members who are subject to the CoFI regime that the levies they will pay to the FMA to regulate their conduct has added significant further compliance cost. So there is the question as to whether the cost for the FMA to set themselves up as the consumer credit regulator would also be passed on to their regulated entities,” McMorran says.

However, 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.

We are looking forward to working with the Minister during this process.

About the Financial Services Federation:

The Financial Services Federation (FSF) is the non-profit industry association for responsible and ethical finance, leasing and credit-related insurance providers operating in Aotearoa New Zealand. FSF's 97 members include the likes of Toyota Financial Services, Harmony, Turners, Avanti Finance, Mercedes Benz Financial Services, MTF Finance, Scania, Custom Fleet, John Deere, Prospa (see the full 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.

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