



NATIONAL COUNCIL OF WOMEN OF NEW ZEALAND

TE KAUNIHERA WAHINE O AOTEAROA

25 May 2012

S12.15

Submission to the Ministry of Consumer Affairs on the Credit Contracts and Consumer Finance Amendment Bill – Consultation Draft

The National Council of Women of New Zealand (**NCWNZ**) is an umbrella organisation representing 51 nationally organised societies and national members. It has 23 branches throughout the country attended by representatives of those societies and some 150 other societies, as well as individual members. NCWNZ's function is to represent and promote the interests of New Zealand women and their families through research, discussion and action.

This submission has been prepared by the NCWNZ Economics Standing Committee and the Parliamentary Watch Committee, supported by previous submissions and established policy.

Positive aspects

This Bill states the intention to amend the Credit Contracts and Consumer Finance Act (CCCFA) to better protect vulnerable consumers by introducing the principles of responsible lending. As many vulnerable consumers are women, we applaud the intent to increase and improve existing protections.

Specifically, we welcome clauses 8 and 9, which will require a lender to disclose to the borrower all relevant information before the contract is signed. We also agree with clause 12, lengthening the 'cooling off' period during which the borrower may change his/her mind. The Bill requires that lenders operate responsibly and advertise honestly, prohibits unreasonable credit and default fees, and makes better provision for remedies in the case of hardship, all of which we must applaud.

Questions and concerns

While these changes are welcome, indeed well overdue, there are a few aspects of this Bill that are of concern.

One is that of enforcement of these new regulations. It may be that however strict the law governing credit contracts, it will be ineffective without stronger sanctions against those who operate illegally. There is anecdotal evidence that by relying on industry 'self regulation' and consumer complaints, the regulations as they stand are too often and too easily flouted.

Although most lenders are responsible and law-abiding, it seems a few third tier lenders continue to prey on the most desperate and vulnerable consumers. It is these very consumers who, either through ignorance or fear, are least likely to access the legal system for redress against oppressive contracts.

Other concerns include:

- No cap suggested on the level of interest that may be charged, although extremely high interest rates may be more oppressive than other aspects of credit contracts;
- The number of financial lenders still operating without a license and the punishment (or lack thereof) for such activity;
- A lack of accessible financial education for consumers, so that they are warned about and armed against loan sharks;
- The inclusion, recommended by the Law Commission, of the Credit (Repossession) Act as part of a new CCCFA;
- The issue of privacy as opposed to the requirement for lenders to make more in depth background checks as part of responsible lending; and
- Where desperate people will turn for credit when the Bill is passed and the Responsible Lending Code is in place.

As an umbrella organization that represents a wide range of opinions, NCWNZ would like to register our strong interest in being involved in the development of the Responsible Lending Code, set out in clause 9C of the draft Bill. We also hope that as wide a consultation as possible will be made.

NCWNZ is glad of the opportunity to comment on this draft Bill.

Elizabeth Bang

President

Katherine Ransom

Economics Standing Committee Convener