



14 June 2019

S19.14

Submission to the Finance and Expenditure Select Committee on the Credit Contracts Legislation Amendment Bill 131-1

Introduction

- 0.1. The National Council of Women of New Zealand, Te Kaunihera Wahine o Aotearoa (NCWNZ) is an umbrella group representing over 200 organisations affiliated at either national level or to one of our 15 branches. In addition, about 450 people are individual members. Collectively our reach is over 450,000 with many of our membership organisations representing all genders. NCWNZ's vision is a gender equal New Zealand and research shows we will be better off socially and economically if we are gender equal. Through research, discussion and action, NCWNZ in partnership with others, seeks to realise its vision of gender equality because it is a basic human right.
- 0.2. This submission has been prepared by the NCWNZ Economics Standing and the Parliamentary Watch Committees.

1. Summary

- 1.1. NCWNZ supports the Credit Contracts Amendment Bill in its intent to address issues including the excessive costs of consumer credit agreements and associated fees, irresponsible lending, non-compliance, and irresponsible debt collection practices.
- 1.2. However, NCWNZ recommends strengthening the Bill with the addition of more stringent measures to tighten the type of advertising allowed and adding a cap on interest rates. In addition, more general and targeted financial literacy education would help to protect vulnerable lenders.

2. Intent of the Bill

- 2.1. NCWNZ believes the proposed changes will go some way to support the primary purpose of the Credit Contracts and Consumer Finance Act 2003 (the Credit Contracts Act). The Act's stated purpose is "to protect the interests of consumers in connection with credit contracts, consumer leases, and buy-back transactions of land", with other purposes of that Act include promoting confident and informed consumer participation in credit markets and providing consumer protection.
- 2.2. NCWNZ recognises the vulnerable position of people on low incomes or fixed incomes who can become trapped by debt and notes that far too many of these people are women with children to

support. Protecting vulnerable lenders by strengthening responsible lending requirements and other measures is supported by NCWNZ, however some of the proposed measures do not go far enough.

3. 10 Section 9C amended (Lender responsibility principles)

- 3.1. While the amendment goes some way to tighten the principles, the effectiveness of it may be dependent on any accompanying advertising regulations and monitoring. NCWNZ notes that advertising still remains problematic, with credit being represented as an attractive and easy option to lure vulnerable people who may have limited financial literacy skills or other barriers, such as language, to fully understand the implications and costs of borrowing. NCWNZ is not convinced that this amendment will be enough to address these issues.

4. Subpart 6A—Other provisions relating to consumer credit contracts

- 4.1. This part of the Act omits capping of interest rates, nor is this included in any other section of the Act. NCWNZ considers this to be a significant omission, one which we have identified in previous submissions on related legislation¹. The objection to a cap on interest appears to be that a set level would negatively affect borrowing and lending behaviour, creating unintended perverse outcomes such as reducing the availability of short-term lending. Regardless of this objection, NCWNZ considers that consumers need better protection in this area.

5. Conclusion

- 5.1. While the proposed amendments to the Credit Contracts legislation do address many of the issues that affect vulnerable lenders, there are some additional measures which would further strengthen the Bill. These include stronger measures in relation to advertising and a cap on interest rates.
- 5.2. In addition, while not within the scope of these amendments, further steps need to be taken to improve financial literacy whether by education and training, or budgeting advice provided in conjunction with lending arrangements.



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NCWNZ Board



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Economics Standing Committee

¹ S16.22 Draft Consumer Credit Fees Guidelines – October 2016;
S13.17 Credit Contracts and Financial Services Law Reform Bill 104 - October 2013