



FINANCIAL SERVICES FEDERATION

MEDIA RELEASE

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Open letter to Government from non-bank lenders: the path forward on CCCFA changes



for responsible and ethical finance and leasing companies operating in New Zealand

Responsible lenders are not interested in telling the Government “I told you so” when it comes to unintended consequences of changes to lending laws that are now causing grief for everyday Kiwis seeking finance.

The Financial Services Federation (FSF), the industry body for responsible non-bank lenders, has written an open letter to Commerce and Consumer Affairs Minister David Clark and officials outlining specifically what it believes needs to be done, and a desire to work together to get it right.

The FSF and its members take a conservative approach to compliance and support the government’s mandate to stamp out predatory lending, but also strongly support the call for an investigation into the effects of the changes to the Credit Contracts and Consumer Finance Act 2003 that came into effect from 1 December 2021.

These laws do not just affect bank customers, but people seeking finance for anything from a motor vehicle to a household appliance or a mortgage from a non-bank provider, which is a steadily growing sector. Data gathered from FSF’s members in 2021 by KPMG showed that almost half of personal consumer lending in Aotearoa New Zealand is being financed by non-bank lenders.

The FSF’s open letter addresses changes which the FSF supports, such as the introduction of a definition of a “high-cost lender” or “high-cost loan”, a limit on the amount of fees and interest

that can be charged by such high-cost lenders, and an interest rate cap of 0.8% per day per annum on all high-cost loans.

But the letter also identifies in detail the major causes of concern for lenders, and why it believes the overly prescriptive “one-size-fits-all” approach to assessing affordability has led to the poor experiences for consumers we are now seeing. It wants to see a return to the principles-based approach of the previous regime unless dealing with an identified vulnerable consumer.

“We believe that a fundamental problem with the process of developing the 2021 CCCFA changes is that while the intention was to address the issue of irresponsible lenders preying on vulnerable customers, treating all consumers as being vulnerable, which is what these regulations are requiring lenders to do, is entirely unreasonable,” says FSF Executive Director, Lyn McMorran.

“The FSF is eager to work constructively with Government and officials on any further investigation to ensure better outcomes for all consumers seeking access to credit in New Zealand provided by responsible lenders, whether they be banks or non-bank lenders.

“Our members are also available and keen to talk to Government and officials about their experiences and those of their customers and are hoping that they will be listened to.

“We hope that a level of understanding that we are all working together for the greater good – reasonable access to credit provided responsibly by all lenders, and protection of those who are vulnerable – can be constructively achieved this time around.”

[Read the Open Letter here](#)

Open letter contents (includes executive summary):

- Application of the CCCFA changes to all lenders
- The effects of the changes on customers of non-bank lenders
- How FSF members have worked with their customers since COVID-19
- What the FSF believes are the problems with the CCCFA in its current form
- What in particular is wrong with the Affordability Regulations
- What the FSF believes should be done to improve the CCCFA regime
- Where to from here

The FSF’s submissions over the course of the consultation period can be found [here](#). In November 2021, FSF and the New Zealand Bankers’ Association, with support from FinCap, produced the resource “Changes to consumer lending and how it affects you,” to help signal the incoming changes to consumers, see this [here](#).

For more information or an interview please email Hannah McKee: hmckee@fsf.org.nz

Background: The [Financial Services Federation](#) represents responsible finance and leasing companies operating in New Zealand. FSF members take their compliance obligations seriously and all members are subject to a Code of Conduct which ensures its reputation as the setter of industry standards in responsible lending. FSF published the [Responsible Lending Guidelines](#) and produced a [Responsible Borrowing Code](#) with FinCap in 2019. Find out more about FSF and see the full member list at www.fsf.org.nz Financial Services Federation hmckee@fsf.org.nz | 04 4721731 | PO Box 10053, Wellington 6143, New Zealand |

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