FACT SHEET

The Credit Contacts and Consumer Finance Act

Borrowing money or buying goods on credit: Know your rights

If you borrow money or buy goods on credit you need to know about the Credit Contracts and Consumer Finance Act.

This fact sheet provides you with an overview of the rules your lender must follow for consumer credit contracts entered into on or after 6 June 2015. For information on the rules that apply to consumer credit contracts entered into before 6 June 2015, read our transitional fact sheet on how changes to consumer credit law apply to existing contracts: **www.comcom.govt.nz/consumer-credit/consumer-credit-fact-sheets/how-the-changes-to-consumer-credit-law-apply-to-existing-contracts/**

What is the Credit Contracts and Consumer Finance Act?

The Credit Contracts and Consumer Finance Act 2003 (CCCF Act) is a law that helps protect you when you are borrowing money. The CCCF Act sets out rules that your lender must follow when lending you money. These rules mean you get useful information to help you shop around for the best credit, understand what you are agreeing to and keep track of your debts.

If you have a mortgage, use a credit or store card, have a personal or cash loan or an arranged overdraft, or buy goods or services on credit, you have probably entered a consumer credit contract. This means you have rights under the CCCF Act.

What you should expect from your lender

Your lender will need to be satisfied that it is likely that:

- the loan meets your requirements and objectives; and
- you can afford to make repayments without suffering substantial hardship.

What does "substantial hardship" mean?

A lender needs to check that it is likely that you can afford to make repayments without undue difficulty while paying for necessities and other financial commitments. Your lender also needs to check that you can do this without having to sell assets that you did not intend to dispose of.

Necessities might include accommodation, food, power, telephone, transport and required medical expenses. Other financial commitments might include repayments on existing debts or commitments like child support payments.

Your lender will need to help you to reach an informed decision and to be reasonably aware of what you are committing to.

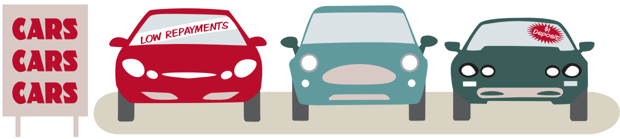
The lender also needs to ensure that the terms of the contract are expressed clearly, concisely and in a way that is understandable.

What do I need to know?

Before you borrow money or buy goods on credit, you need to understand what you are getting into. What is it going to cost you? What repayments will you need to make? What interest or fees will you have to pay? A lender must give you this information before you sign up – it's called disclosure. Read the contract and if you do not understand something, do not sign – ask the lender to clarify, or go and get some independent advice.

Your lender must also give you information to help you keep track of any debt while you are paying it off.

If a lender uses standard form terms and costs of borrowing, these should be clearly and prominently available on their website. If lenders are operating from business premises that are accessible to the public, they will have to clearly and prominently display a notice which states that this information is available on request, free of charge. You can ask for a copy of the standard form terms and costs of borrowing to take away with you. This is so you can compare different loans.



What extra costs will I have to pay?

A lender will usually add interest and fees to the amount you have borrowed. These must be set out in your disclosure.

Interest is what a lender charges you for having the use of their money. There are rules about how a lender charges interest.

A lender may also charge fees for setting up the contract and managing it. There are also rules about the kind of fees a lender can charge.

If you think the interest and fees are too high, do not sign the contract – ask to take the contract away and get some independent advice.

Can I get out of a contract?

Before you sign, you need to think very carefully about what you are agreeing to and whether you can afford it. By signing a contract, you are agreeing to its terms and to meet your end of the deal.

If you change your mind and want to cancel the contract, you only have a short time to cancel.

If the disclosure statement has been given to you in person, you have five working days from then to cancel the contract.

If the disclosure statement was not given to you in person, there is a bit of extra time built in. So, if the disclosure statement was:

- emailed or faxed, you can cancel up to seven working days from when the email or fax was sent to you
- sent by mail, you can cancel up to nine working days from when the statement was posted to you.

If you cancel the contract within this time, you may still have to pay fees and interest.

You can end a contract at any time by repaying what you owe, but you may have to pay extra fees if you pay it back earlier than was originally agreed.

Do I need to get insurance?

Often a lender will suggest you buy insurance to cover your ability to repay a loan or to cover the goods you are buying. In some cases, a lender can require you to take out insurance. For example, if the lender has security over something you own, they can require you to insure it.

Your lender needs to be satisfied that it is likely that any credit-related insurance arranged by them meets your requirements and objectives. If a lender requires you to buy credit-related insurance, the terms on which a lender requires you to do so must be reasonable.

Your lender also needs to ensure you can make payments for insurance without suffering substantial hardship.

What happens if I miss a repayment?

If you break the terms of your contract – for example, if you miss a repayment or go over your credit limit – you will probably have to pay a late fee or default interest on the amount of the default while it continues.

Your lender may have security over something you own, which means that they can seize and sell this if you break the terms of your contract. For example, if your lender has security over your car and you miss repayments on your loan, your lender could seize your car and sell it if you don't remedy the default.

Lenders and repossession agents must follow certain rules when seizing your property. Read more in our fact sheet on repossession: **www.comcom.govt.nz/consumer-credit/consumer-credit-fact-sheets/overview-of-changes-to-consumer-credit-law/**

Late fees, default interest and any security interest must be disclosed to you, so check before you sign.

What can I do if I'm struggling to make repayments?

If you are struggling to manage your debts, talk to your lender or a budget adviser (who can talk to your lender for you) as soon as possible, ideally before you get behind on your repayments.

If you are struggling to manage your debts, you have two options. You can either ask your lender if they will change your contract to help you manage your debt better or you may qualify to make a hardship application.

You may make a hardship application if you suffer unforeseen hardship, such as losing your job, falling ill, or the death of a partner or end of a relationship.

Your lender does not have to change your contract in either situation, but it is often in the lender's interest to help you to get back on your feet. Your lender may agree to extend the term of your loan, change your repayments, or allow you to delay your repayments.

Remember, though, that this is likely to increase the total amount you are going to have to pay on your loan. However, lenders cannot increase the interest rate when a contract is being changed due to hardship.

If you have made a hardship application, a lender cannot repossess goods secured under the contract while the application is being considered.

You can make a hardship application if you are already in default, providing you have not been in default for more than two months or missed four consecutive payments.

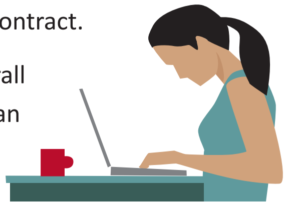
You can also make a hardship application up to two weeks after receiving a repossession warning notice or Property Law Act Notice.

A lender is required to collect all the information needed to consider your hardship application and make a decision within some set timeframes.

Can I switch lenders?

Yes. You can shop around for a better deal even when you have an existing contract, but you should work out what it will cost to switch lenders. Your lender may charge a fee if you pay back your contract early, and your new lender may charge for setting up a new contract.

You should also compare the overall cost and terms of your existing loan with any new loan you might be thinking about switching to.



Want to know more?

Check out our fact sheets on the CCCF Act:
www.comcom.govt.nz/consumer-credit-fact-sheets/

A range of fact sheets and guidelines for the new laws will be available on our website.

Got a problem?

If you have a problem with a consumer credit contract, there are a number of things you can do.

- **Talk to your lender**
  You should contact your lender first if you have any problems with your consumer credit contract.
- **Get some advice**
  You can contact your local Citizens Advice Bureau **www.cab.org.nz** or **0800 367 222**, Community Law Centre: **www.communitylaw.org.nz**, or Budget Advice Services **0508 283 438**.
- **Report it to the Commerce Commission**
  We are responsible for enforcing the CCCF Act. You can call us on **0800 94 3600** or use our online complaint form: **www.comcom.govt.nz/online-complaint-form**
  We have a telephone interpreting service available through Language Line if you speak little or no English.
- **Report it to the lender's dispute resolution scheme**
  All lenders must be members of an independent dispute resolution scheme. To find out which scheme a lender belongs to, go to **www.fsp-register.companiesoffice.govt.nz**. You must contact your lender first before reporting the problem to the dispute resolution scheme.
- **Take action**
  You can take your own action against a lender under the CCCF Act through the Disputes Tribunal. Go to **www.justice.govt.nz** for further information.

Contact us with information about possible breaches of the laws we enforce:
Phone: 0800 943 600 **Write**: Contact Centre, PO Box 2351, Wellington 6140 **Email**: contact@comcom.govt.nz

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