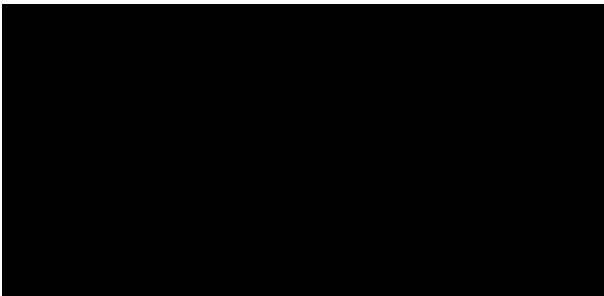


1 September 2022



## Official Information Act #22.028 Motor Vehicle Financing and Add Ons

1. We refer to your request received on 5 August 2022 for:
  - 1.1 an update on what steps the Commerce Commission (**the Commission**) has taken, following publication of its report *Motor vehicle financing and add-ons review*,<sup>1</sup> and
  - 1.2 how many complaints the Commission has received in 2020, 2021 and so far this year, for the following listed insurance and finance products.
    - 1.2.1 Mechanical breakdown insurance
    - 1.2.2 Guaranteed asset protection insurance
    - 1.2.3 Credit contract indemnity insurance
    - 1.2.4 Payment protection insurance
    - 1.2.5 Repayment waivers
2. We have treated this as a request for information under the Official Information Act 1982 (OIA).

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<sup>1</sup> [https://comcom.govt.nz/data/assets/pdf\\_file/0037/269947/Motor-vehicle-financing-and-add-ons-review-10-November-2021.pdf](https://comcom.govt.nz/data/assets/pdf_file/0037/269947/Motor-vehicle-financing-and-add-ons-review-10-November-2021.pdf)

## Our response

3. We have decided to grant your request.

## Motor vehicle financing and add-ons review report – November 2021

4. The Executive Summary of the motor vehicle financing and add-ons review sets out the next steps intended to be taken by the Commission. Provided below is an update in respect of each of those steps.

*Provide information to lenders and dealers about compliance with the Credit Contracts and Consumer Finance (CCCF Act) and Fair Trading Acts, particularly as it relates to information provided by consumers as part of the review*

5. In addition to releasing the final report publicly, we targeted its dissemination to lenders and dealers by providing it to a number of organisations to distribute directly to their members and through industry publications. These organisations included:

- 5.1 Financial Services Federation
- 5.2 Banking Ombudsman (BOS)
- 5.3 Insurance and Financial Services Ombudsman (IFSO)
- 5.4 Financial Services Complaints Ltd (FSCL)
- 5.5 Financial Dispute Resolution Service (FDR)
- 5.6 Automobile Association
- 5.7 Motor Trade Association

6. More generally, over the last 18 months the Commission has expanded its Credit engagement team and increased its focus on engagement and education, which provides us with a greater opportunity to answer questions from the industry about CCCF Act compliance and understand where there may be compliance issues. This has included establishing a regular stakeholder engagement programme with the larger financiers, industry bodies and Dispute Resolution Schemes. We have also launched a two-monthly 'update for lenders' – an online newsletter focussed on CCCF Act matters, including information around legislative changes, new or updated guidance, and upcoming events such as our lender seminars (next due to take place in November 2022).

*Engage with the lenders that participated in the review about the December 2021 CCCF Act amendments*

7. Following the release of our report, we issued compliance guidance letters to 10 of the lenders that participated in the review, plus two additional lenders identified as part of the review. This guidance related to CCCF Act issues identified in the report. We met with each of these lenders to discuss the specific matters raised, the findings of the review more generally and the December 2021 CCCF Act amendments.

*As part of our wider compliance and enforcement strategy, continue to assess compliance within the industry (including in relation to the new requirements for add-ons) and take enforcement action where appropriate*

8. The Commission continuously assesses complaints and other information obtained/received by the Commission in order to identify lender compliance issues, including in the motor vehicle industry. Where this work identifies potential non-compliance we take a range of actions, from engagement and education through to opening investigations which may lead to various enforcement outcomes. We currently have five active investigations into motor vehicle lenders, covering a range of potential CCCF Act breaches.
9. In addition, the Commission's Credit Branch has a planned programme of proactive monitoring in relation to CCCF Act compliance, which includes in the 2022/23 financial year the intention to undertake a project in relation to lender compliance with the new CCCF Act affordability obligations (as set out in the Regulations). While the scope of this project is still to be finalised, it is possible that an aspect of it will cover motor vehicle lenders.

*Undertake advocacy work with the consumer advisory sector (including financial mentors)*

10. We routinely engage with the consumer advisory sector, particularly financial mentors, and have done so extensively in relation to the findings of the motor vehicle financing and add-ons review. In 2022, budget services formed a number of Community of Practice (COP) groups nationwide. We have attended 12 COP meetings to present information on the December 2021 law changes, to raise awareness of the new Red Flags resource (which provides guidance on key areas of the CCCF Act that mentors need to know about) and to hear about the issues financial mentors are dealing with. In relation to credit-related insurance and education about the findings in the motor vehicle financing and add-ons report, we particularly focussed on providing information on the lender responsibility principles and making it clear that lenders are responsible for the actions of their agents.
11. We are planning further and more comprehensive CCCF Act and Red Flags workshops specifically aimed at financial mentors. The workshops, due to take place later this year, aim to improve mentors' knowledge and confidence around the provisions of the CCCF Act that they most commonly need to consider in relation to borrower issues, including those relating to credit-related insurance.

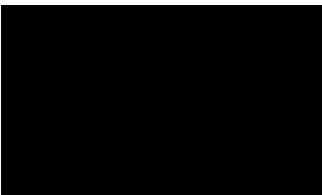
*Share our observations with other relevant agencies, including the Financial Markets Authority (FMA) and the Ministry of Business, Innovation and Employment (MBIE)*

12. In December 2021, Commission staff met with MBIE and the FMA to discuss the findings of our review. We have also submitted a couple of minor technical changes to the CCCF Act provisions relating to credit-related insurance for potential inclusion in the Regulatory Systems Bill.

**Complaint information**

13. The Commission received 37 complaints in the period 2020, 2021 to 1 August 2022. We have responded to your request in **Appendix A**, broken down by the products requested.
14. Please note the Commission will be publishing this response to your request on its website. Your personal details will be redacted from the published response.
15. Please do not hesitate to contact us at [oia@comcom.govt.nz](mailto:oia@comcom.govt.nz) if you have any questions about this request.

Yours sincerely



OIA and Information Coordinator

## Appendix A

Product	2020	2021	2022	Total
Mechanical breakdown insurance	8	12	4	24
Payment protection insurance	3	4	2	9
Credit contract indemnity insurance	-	1	1	2
Repayment waivers	2	-	-	2
<b>Total</b>	<b>13</b>	<b>17</b>	<b>7</b>	<b>37</b>

1. The Commission has not received any complaints in the period relating to guaranteed asset protection insurance.
2. While credit contract indemnity insurance and payment protection insurance are essentially the same, based on the terms used by the complainants in their reports to us, we have separated complaints about the two products in the table above.