

The Credit Contracts and Consumer Finance Act 2003

COVID-19: Credit Q&A for borrowers



Many New Zealanders are facing financial challenges as a result of COVID-19. You or a member of your household may be earning less than usual, you might be facing increased expenses or you may have lost your job. This can make it hard to make ends meet but there are a range of options that might be available to you to improve your financial position or relieve the pressure of some of your financial obligations.

This guidance has a series of questions and answers to assist you if you have questions about a loan you already have or about taking out a new loan. It also has a list of sources you could turn to for help. If the answer to your question is not covered here please contact credit.advocacy@comcom.govt.nz to let us know so that we can see if we can provide additional guidance.

Government financial support

The Government has been working on providing financial support for people whose financial position has been adversely affected by COVID-19.

For information on Government financial support please see the [covid19.govt.nz](https://www.covid19.govt.nz) website.

The Government has also announced a range of packages to support New Zealanders and the economy. These include a wage subsidy scheme, redundancy support and protection for renters and tenants. You can find all the details on the official COVID-19 website www.covid19.govt.nz

The [Ministry of Social Development](https://www.msd.govt.nz) may also be able to offer assistance if you have lost your job or had your income reduced significantly.

If you are not sure what assistance may be available, call the free government helpline on: 0800 779 997 (8am–1am, 7 days a week) or on 0800 22 66 57 (9am–5pm, Monday–Friday).

Borrowing money and buying on credit

If you are thinking of borrowing money or buying goods on credit you should read our guidance [advice for consumers](#). You can also check our series of questions and answers that might assist you if you have questions about a loan you already have or about taking out a new loan.

I urgently need help to cover expenses. What should I do?

Consider all your options. The Government has been working on providing financial support for people whose financial position has been adversely affected by COVID-19 (see the [COVID-19 website](#) for details).

You should also talk to the [Ministry of Social Development](#), even if you do not think you qualify for their assistance because they might be able to offer payments and support that you aren't aware of.

If your employer's business has been adversely affected as a result of COVID-19 and they have reduced your wages or you think you may lose your job, your employer may be eligible for the government's [wage subsidy scheme](#). This might enable your employer to keep employing you and to pay all or part of your wages for 12 weeks. You will need to discuss this with your employer because you can not apply for the subsidy to be paid directly to you.

If you have lost your job you should find out more about the support options available to you. You can find out more about these on the Work and Income [website](#).

If you are having trouble making ends meet with the income you have, you could also try speaking with MoneyTalks or a financial mentor (see the independent advice section below). They may be able to help you to work out a way to reorganise your finances to help you manage through a difficult financial period. They may also be able to provide advice about other options that could help.

Once you have considered all these options and if you decide you do need a loan, then shop around for the best option for your situation. The first option you see or know of is not necessarily the best. For example, if you need some time to pay the loan back, then loans designed for short term repayment are unlikely to be suitable for you. Keep in mind, some charities, including The Salvation Army, Good Shepherd NZ and Nga Tangata Microfinance, even offer no-interest loan schemes.

Think about the cost of the loan. Some are more expensive than others. Lenders have to publish their fees and charges on their websites. Compare the interest rates and the fees lenders charge. Some sites may have calculators that will help you work out the total cost of the loan.

Read more about [What You Need to Know Before Choosing a Loan](#) and [Borrowing Money or Buying Goods on Credit](#).

I am struggling to make the payments on my loan. What are my options?

If you have a loan and think you might struggle to make the payments, then speak to your lender as soon as possible, and ideally before you miss any payments.

Your lender might be able to reduce your payments for a while, or give you a break from making payments. Think about how long you might need assistance for and don't ask for or accept more than you need. You can always ask for help again later if things have not improved.

It is important to know that these sort of temporary changes may increase the total cost of the loan and the length of time you take to pay back your loan. If you take a break from making payments then the payments you make when you start again might be higher than before you took the break. Speak to your lender about how it might work for you.

If your lender is taking too long to come back to you or if you are worried that they won't agree to change the contract you should consider making a formal application for changes to your loan based on unforeseen hardship. This is sometimes called a **hardship application**.

If you want to make a formal hardship application you will need to write to the lender setting out the reasons that you want the loan contract varied, what changes you want made and why you think those changes will help. The lender will need to consider a formal hardship application and follow a particular process but they still do not have to change the contract. Read more about [hardship applications](#).

Check if your existing loan contract includes payment protection insurance or a repayment waiver. If it does and you have lost your income or had your income reduced, you might be able to make a claim which would help with your repayments. If you need help making a claim, ask your lender, a financial mentor or contact Community Law or Citizen's Advice Bureau.

Your credit rating should not be affected by these temporary changes but you should check with your lender.

Also see our advice about mortgage payments below.

How do I apply for changes to my loan if I am suffering from unforeseen hardship?

If you have a loan and think you might struggle to make the payments because something has happened that you couldn't reasonably expect, then speak to your lender as soon as possible. If your lender takes too long to work out a solution or you are worried that they won't help, set out your situation in writing (by email is fine).

All lenders should consider varying your loan or changing your payment arrangements if you can't make your payments because of unforeseen hardship.

If you meet particular criteria and put an application in writing lenders will need to follow a set process and, if they don't agree to change the contract in the way that you want, you can ask a court to review their decision. Consumer credit law includes rules about what your lender has to do in this case. Read more on our website – [advice on hardship](#).

I have asked my lender for help and my lender is taking a long time to respond to me.

This is a busy time for lenders and you may need to be patient while you wait for a response. In addition, they are facing disruption to their workplaces during the lockdown. Response times are likely to be longer than usual. You should consider writing or emailing your lender about your situation.

While you wait to speak with your lender, collect together all the information you think might help your lender, for example:

- what your income was and is now
- what your weekly expenses are
- copies of bank statements (if you are not borrowing from your bank which will be able to access these)
- details of any other loans you have.

Read more about borrowing money and where to get help when things go wrong, in our [guidance](#).

I can't pay my mortgage. What do I do?

You need to talk to your lender. Your lender may be able to work with you to find a solution that best suits your needs and objectives.

New Zealand's retail banks including ANZ, ASB, BNZ, Heartland Bank, HSBC, Kiwibank, SBS Bank, TSB and Westpac have announced that they may be able to offer six-month mortgage payment deferrals for customers financially affected by COVID-19.

This means affected customers who apply to their bank may be eligible to not make principal and interest payments on their loans for up to six months. This is called a repayment deferral. Banks have practical information on their websites about how they can help.

Repayment deferrals may extend the time it takes to repay the loan and may add interest costs. Banks will assess the suitability for each customer asking for a deferral.

Read more about mortgage deferrals below.

How will the banks assess my application for a mortgage deferral?

Banks must still act responsibly. They should discuss your situation with you and try to work out what help you need. They should help you understand the consequences of deferring mortgage payments. Generally speaking, a deferral of payments will cost you more in the long run, but it might allow you to meet your obligations in the short term.

In order to manage the large volume of applications, banks might be prepared to collect and deal with your financial information in a different way from usual. You also might not receive information about the changes to your mortgage in writing as soon as you would otherwise. But the bank must deal with your application and provide you with information about the change to your mortgage as soon as is reasonably practicable.

You should ask questions if you do not understand what the changes mean or take the time to discuss it with your family and friends or with a financial service mentor before you agree to the changes.

What will I need to do to get a loan?

If your income has been affected by COVID-19 you should think about whether you will be able to afford to repay the loan in the future. Any lender will need to be satisfied that you can afford the loan and meet all your essential expenses.

They will need information about:

- your income (for example, what you earn, how regularly you get paid and how long you have been in your job)
- your expenses (for example, what you pay for accommodation, food, childcare costs, and debts)
- your credit history and whether you are likely to be in a position to repay the loan.

Your lender also needs to see documents that prove your financial situation, for example, payslips, bank statements, mortgage documents, existing loan contracts and insurance documents.

You might not be able to easily access all the information you need at the moment. For example, if you keep some documents at work and you can't visit your workplace to get them. You might not be able to easily deliver copies of relevant information to your lender. For example, if you are at home and do not have access to a scanner or email. You might also be earning less than usual or you might have lost your job so that you don't have information about your current income to provide to a lender.

Don't let these things put you off gathering together whatever information you can and speaking to your lender about your circumstances. Lenders know that many people are facing unusual circumstances and they may be able to help find a way through. But if you can't afford to make repayments on a loan without going without essentials, and if you are not sure if you will have a job in the future, you may not be able to get a loan.

Read more about what you need to consider when applying for a loan in our guidance [What You Can Expect From Your Lender](#).

What should I look for when I choose a lender to give me my loan?

When you are thinking about which lender to choose, you should make sure the loan is from a lender registered as a Financial Service Provider (FSPR). You can check the register [here](#).

Anyone providing financial services, including lending, must be registered on the FSPR.

This does not automatically mean the firm is regulated or supervised, but some are "licensed" which means that aspects of their business are checked by the Financial Markets Authority or the Reserve Bank. You can find out whether the firm is licensed by checking its information on the register.

As a minimum a registered firm must have a disputes resolution service for customers to take their disputes to.

Choosing a lender that meets these requirements helps to protect you if things go wrong.

What do I need to know about a new loan before I agree to it?

You need to find out important information about the loan you are considering, such as the interest rate you will pay, the amount of each repayment, how many repayments you will need to make, for how long, and the total cost of the loan including interest and fees. This information helps you to be sure that you can meet your obligations to repay the loan without going without essentials.

Make sure you can answer the following questions:

- What is it going to cost you?
- Can you afford it?
- What repayments will you need to make?
- What interest and/or fees will you have to pay?
- What will happen if you miss a repayment or if you can't pay the loan back?
- How long will it take you to pay off the loan?

Your lender should make key information about the loan available to you before you agree to it and they need to help you to understand what you are signing up to.

Usually the key information needs to be provided in writing before you enter into your loan. This can be by e-mail. But if this is not possible at the moment, then the lender might be able to tell you the information, give you a chance to write it down if you need and provide the documents to you as soon as practicable afterwards.

You can read more about signing up for a loan and about the disclosure documents that your lender must provide to you in our [guidance](#).

Also see our advice on getting a loan for more information.

How can I get independent advice on taking out a loan?

Your lender may recommend that you seek independent legal advice before you agree to take out a loan but you are also entitled to take legal advice or other advice at any time.

Community Law is providing free legal support by phone or online. You can find more information at <https://communitylaw.org.nz/>.

If you need independent financial advice to help you to decide whether taking a loan is the right option for you, you can seek help from a financial mentor. There are also a number of other services that can help.

MoneyTalks is a free, confidential financial mentoring service which you can access by phone, text, live chat and email. Call them on 0800 345 123, email: help@moneytalks.co.nz, or text 4029.

The Commission for Financial Capability has some good [advice about your money right now](#).

The website sorted.org.nz has tips, guides and tools to help you work through your money problems. You can also email office@sorted.org.nz.

I've been asked by family to guarantee a loan. What should I do?

Think about any requests to guarantee a loan carefully and seek advice if you need to. Guaranteeing someone else's loan means that you may need to make the repayments if they don't. You need to know whether you can make the payments before you agree. If you can't or if you are unsure, don't guarantee the loan.

Find more information about being a [guarantor](#).

I can't pay the rent. What do I do?

Talk to your landlord as early as possible – some are providing different payment options during the lockdown period.

For information on Government financial support please go to [this page](#) on the covid19.govt.nz website.

I can't pay the power/phone bill. What do I do?

Talk to your utility provider as early as possible – some are providing different payment options during the lockdown period.

For information on Government financial support please go to [this page](#) on the covid19.govt.nz website.

My lender says the responsible lending rules mean I can't get a loan.

You might not be able to get a loan if you cannot afford to repay it without suffering substantial hardship. If you are in this position make sure that you have explored alternative options for financial support described above.

In New Zealand we have laws to protect borrowers. They include requirements for lenders to act responsibly and those requirements do still apply now. Responsible lenders will not lend you money that they do not think you can pay back without going without essentials.

To apply for a new loan your lender will also need information about:

- what the loan is for,
- how much you need
- your recent pay and expenses
- how you think you are going to be able to get back on your feet
- whether you have any other way of paying off the loan (for example by selling something you own)

Do not let those questions put you off seeking a loan. The rules are to help ensure that you don't get into trouble with debt. Talk to your lender about whether there is an option suitable for you.

What if I can't access the paperwork and information I need to get a loan?

Try to collect your financial information together as best you can. Your lender might be able to help.

You might not be able to easily access all the information you need while COVID-19 is affecting the way we live our lives. For example, if you keep some documents at work and you can't visit your workplace to get them. You might not be able to easily deliver copies of relevant information to your lender. For example, if you are at home and do not have access to a scanner or email. You might also be earning less than usual or you might have lost your job so that information about your current income can't be provided.

Don't let these things put you off gathering together whatever information you can and speaking to your lender about your circumstances. Lenders know that many people are facing unusual circumstances and they may be able to help find a way through anyway. But if you can't afford to make repayments on a loan without going without essentials and if you are not sure if you will have a job in the future you may not be able to get a loan. You may need to think about other ways that you could pay off the loan in such a case, for example by selling things you own.

Can I get money from my Kiwisaver?

There are circumstances where you can access part of your [Kiwisaver](#). You should consider what your other options are (outlined above) before taking this step. The Commission for Financial Capability (CFFC) and the Financial Markets Authority (FMA) have urged New Zealanders to only use hardship withdrawals from Kiwisaver as a last resort. For more information see the [advice on the CFFC's website](#).

I saw on social media some options for getting quick money at the moment. How do I know if it is legit or a scam?

It is likely that scams related to COVID-19 will appear. Some may offer financial relief which sounds too good to be true or ask for some money from you to provide more money in return. Do not just accept something is OK, even if you hear it from someone you know and trust. A good first step is to check it out by searching the internet and talk to friends and family. If you are concerned about whether something is a scam or not, look for an alternative means of financial support instead.

I have seen advertising for loans which can be given immediately and with no checks on my financial position. Is this the best option if I need help quickly?

Providing loans without enquiring into the borrower's needs and objectives and ability to repay the loan is against the law relating to responsible lending. These laws are in place to help ensure that you don't get into trouble with debt.

See our guidance on [what to look for when deciding on a lender](#) and what to look for when taking a loan to help make sure you find the loan option or financial support that is best for you at this time.

What can I do if I think my lender acted unfairly, or if something goes wrong?

In the first instance, we recommend that you talk to your lender. Responsible lenders should take any complaints seriously and may agree to adjust the loan terms or change their conduct. More information on the lender responsibilities can be found in the Responsible Lending Code, which is available on the [Consumer Protection website](#).

Contact the Citizens Advice Bureau (www.cab.org.nz or 0800 367 222), Community Law Centres (www.communitylaw.org.nz), Budget Advice Services 0508 283 438 or a lawyer.

You may have grounds to complain to your lender's dispute resolution scheme. Your lender is required to be a member of an independent dispute resolution scheme. Dispute resolution is a free way to deal with problems with your lender. If you have a problem with your lender, you must first contact your lender to discuss the problem with them. If you are unable to resolve the matter with your lender, you can then report the problem to their dispute resolution scheme. In the information you received when you signed up, your lender is required to give you information about what to do if you have a problem with your loan or your lender, and how to contact your lender's dispute resolution scheme. You can also find out which scheme a lender belongs to at: www.fsp-register.companiesoffice.govt.nz. The four dispute schemes in New Zealand are the [Banking Ombudsman](#), [Financial Services Complaints Scheme](#), [Fairway Dispute Resolution](#) and [Insurance & Financial Services Ombudsman Scheme](#).

You can complain to the Commerce Commission. We are not able to take action on every complaint we receive but we can investigate and take enforcement action in appropriate cases. You can make a complaint through our complaint form at www.comcom.govt.nz or by calling us on 0800 943 600.

You can lodge a claim at the local Disputes Tribunal. The Disputes Tribunal is a relatively quick, inexpensive and informal way to resolve commercial disputes. Lawyers are rarely allowed to participate. Go to www.justice.govt.nz for further information.