

Things to think about now that you are a lender

We know you will be thinking about how best to run your business. It can be costly to put things right if you do not comply with the law, so it is a good idea to review this information and discuss it with your lawyer.

Your responsibilities as a lender

When providing credit, you must ensure you comply with the lender responsibility principles. This means that you must act **carefully and responsibly** at all times, and treat borrowers **reasonably and with respect**.

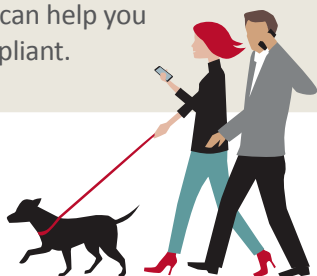
The lender responsibility principles impose obligations on lenders when advertising, before entering into a loan, and during all subsequent dealings with borrowers and guarantors.

Before entering into the loan, you need to make enquiries about:

- What the loan is for, so the right type of loan can be provided.
- The borrower's financial position so you can carry out an accurate and realistic assessment of whether they can afford the loan without giving up necessities – like food, transport or medical expenses for them and any dependents.

You also need to help the borrower understand the agreement, including all the possible consequences of taking out the loan. This means you should help them understand what might happen if they fail to make repayments.

The Ministry of Business Innovation and Employment has issued a guide to help you to comply. It's called the '[Responsible lending code](#)' (the Code) and is a must read. The CCCF Act states that compliance with the Code is evidence of compliance with the Lender Responsibility Principles, so following the Code can help you keep your business safe and compliant.



Information you need to provide borrowers

There are specific requirements around how and when you provide information for the different [categories of disclosure](#). The law is really specific about what information you need to provide to borrowers and how:

Before entering into the loan

You need to provide key information about the loan, before borrowers and/or their guarantors enter into the loan. This is known as **initial disclosure**. Make sure that your contracts comply with these requirements, and that the borrower understands the terms in the agreement so that they can make an informed decision about whether to enter into it.

During the loan

You must regularly give the borrower key information about their account during the lifetime of the loan, except where some limited exceptions apply. This is known as **continuing disclosure**. This could be in the form of a monthly statement like what you would get for a credit card.

If the loan changes

If the loan is changed, either unilaterally by you, or when agreed between you and the borrower, you must provide this information in writing. This is known as **variation disclosure**.

You need to make available immediately on request and free of charge your standard form contract terms and conditions for all of your loan products.



Requirements for lending online

If you offer consumer credit – and have a website – you need to publish the cost of borrowing. This is usually the interest rates and fees charged, and the standard form contract terms and conditions for all of your consumer loan products. This information needs to be prominently and clearly displayed on your website. It may be useful to think about whether this information is easily accessible to consumers if they were not specifically looking for it.

If you plan on providing loans online, read our guidance on achieving compliance in an [online environment](#).

Make sure your fees are reasonable

Fees are only permitted to recover the costs closely associated with the activity which a fee is being charged for. For example, if you charge an establishment fee, the fee must only reflect the costs associated with establishing the loan. Unrelated costs such as advertising cannot be recovered. Read more about [fees requirements](#).



Follow the rules when borrowers fail to pay

Sometimes borrowers, despite best efforts, will default on their repayments. We appreciate that can be frustrating for you as a lender however please be aware there are rules around how you deal with borrowers when this happens.

When a borrower falls on hard times

If a borrower is unable to meet payments because they have suffered a 'hardship' eg, an illness, injury or loss of employment, they can ask you to change their contract. This is known as a hardship application and there are criteria a borrower needs to meet to be able to apply. If a borrower makes a **hardship application**, there are specific things you must do within certain timeframes. Read more about your obligations when [considering hardship applications](#).

Outside these circumstances, when a borrower defaults on their loan, you may have a right to continue to charge interest and fees, issue proceedings, or repossess secured goods. Remember though, the lender responsibility principles still apply when borrowers default and these require you to treat borrowers and their property reasonably and ethically.

When you need to repossess goods

There may be times when a borrower can no longer meet payments and you want to repossess secured goods. There are strict rules that you (or repossession agents) must follow when [repossessing goods](#).



Please note: this document is designed to provide new lenders an introduction to the applicable laws. It is a summary only, and is not an exhaustive description of your obligations arising under the CCCF Act. It is not legal advice and following the information sheet will not necessarily ensure your business is compliant with the law. You should seek your own legal advice.

Read our [Enforcement Response Guidelines](#) to learn more about how the Commission enforces New Zealand's fair trading, competition and credit contract laws.

