

**Exposure Drafts of updated Credit Contracts and Consumer Finance Regulations 2004 and Responsible Lending Code  
Ministry of Business, Innovation and Employment (MBIE)**

**Salvation Army Submission – 20 April 2022**

1. The Salvation Army **supports** the amendments in this Exposure Drafts. This submission summarises some of our general views on the legislation. However, we note that the tight timeframe given by MBIE for organisations to respond is too short and ill-placed (i.e. around the Easter holiday break).
2. The amendments in this Exposure Drafts are very detailed and, in our view, focussed more on the responsibilities and practices of lenders. These are positive changes. Our short submission is from a consumers or community perspective based on our national network of financial mentors and budgeters who work directly with people around problem debt, loans problems and other financial hardship issues.
3. Overall, we are supportive of the recent changes to the CCCFA. We have affirmed these views and positions in various submissions over the last 12-months, including to MBIE's Buy Now Pay Later review, and other recent investigations into CCCFA reforms. Our recent position was also reinforced in the joint letter The Salvation Army signed on 08 March 2022 that was directed to all political party spokespeople with commerce and consumer affairs portfolios.<sup>1</sup> This letter was jointly signed with 9 other community organisations and emphasised our collective support for the current set of CCCFA reforms. This remains our position regarding the details in this Exposure Drafts.
4. We contend that the key aspect of this joint letter, which is relevant to this Exposure Drafts, is the strengthening of lender responsibilities and affordability assessments carried for consumers. We are aware that various lenders have recently pushed back on some of these reforms, claiming they are too restrictive or onerous for them. The Salvation Army believes that these reforms are beginning to and already striking a good balance between the needs and responsibilities for both the lender and consumer.
5. The true focus behind these reforms should be responsible lending from lenders to ensure that borrowers are not taking on problem or crippling unaffordable debt that will put their whanau in risky financial wellbeing situations. Responsible lending is enforced by these recent reforms, as well as in this Exposure Drafts. The reforms could be clarified better to guarantee that the lending/borrowing process is not unnecessarily hindered. But again, lenders should be held to high responsible lending practices given the financial instability for many people and whanau in this season of very high inflation and cost of living. Any changes to the CCCFA or its regulations, or to the Responsible Lending Code, that improve responsible lending from lenders is in our view something that we should embrace. And when these changes translate to better practice from lenders in doing robust affordability assessments for potential borrowers, this allows organisations like The Salvation Army who work with whanau in financial hardship to better support and advocate for these people and whanau.

6. Our frontline financial mentors are already seeing the positive impact of these recent changes. One financial mentor Auckland anecdotally noted that a lender their client dealt with *before* the December 2021 changes was now applying the post-December 2021 CCCFA changes to the borrower to help in their affordability assessment. We submit these changes to practice and procedures garner more trust for the lending industry, and helps safeguard borrowers from damaging lines of debt.
  
7. In conclusion, we affirm our support of the changes detailed in these Exposure Drafts. We acknowledge the complaints that lenders have made, and we believe the amendments in the Exposure Drafts help clarify better the true intent of the reforms. In the end, responsible lending and building greater trust and protection for borrowers is crucial with these Drafts. From a community, consumer, and borrower perspective, we again contend that faster and streamlined lending processes should not take priority over ensuring borrowers are protected, assessed comprehensively, and trust in the responsible lending practices of the lender they are engaging with.

---

<sup>i</sup> <https://www.fincap.org.nz/wp-content/uploads/2022/03/open-letter-for-website.pdf>