## Module 7 - Key changes to the CCCFA

1. Introducing an interest rate and cost of credit cap on high-cost loans:

* lenders will not be allowed to charge more than 0.8 per cent of interest and fees per day for a loan
* a cost of credit cap will be introduced with a limit on interest and fees charged on a high-cost loan to 100% of the amount borrowed. For example, if an individual borrows $500, they will never have to pay the lender back more than $1000, including all fees and interest
* this type of cap is very similar to the one used in the United Kingdom since 2015
* these restrictions will be reviewed once they have been in place for three years.

1. New prescriptive requirements when lenders assess the affordability and suitability of loans:

* lenders are currently required to make reasonable inquiries to be satisfied that the borrower is able to repay the loan without substantial hardship and that the loan is likely to meet the borrower’s needs
* regulations will set minimum requirements for these inquiries
* lenders will need to keep records that substantiate that loans are affordable and suitable for borrowers and fees are not unreasonable
* lenders will be prohibited from entering into a high-cost consumer credit contract with an applicant who has entered into two high-cost loans in the past 90 days.

1. Increased enforcement and tougher penalties for breaking the law:

* tougher penalties will be imposed for irresponsible lending, including financial penalties of up to $600,000
* borrowers who have been given unaffordable or unsuitable loans will be able to claim statutory damages at disputes resolution schemes which may include a refund of all interest and fees and compensation for any harm
* directors and senior managers of consumer credit lenders and mobile traders will be required to meet a ‘fit and proper person’ test before the creditor can be registered on the Financial Service Providers Register
* duties will be imposed on directors and senior managers to ensure that lenders comply with their obligations
* lenders will be required to provide statistical information about their business to the Commerce Commission on an annual basis.

1. Responsible lending laws for mobile traders:

* contracts entered into by mobile traders will be treated as consumer credit contracts, whether or not they charge interest. This means that mobile traders will be required to comply with all of the obligations of the Act including responsible lending requirements
* mobile traders will be required to pass a fit and proper person test and to register on the Financial Service Providers Register.

1. Responsible advertising standards:

* lenders are currently required to exercise the care, diligence and skill of a responsible lender in any advertisement and must ensure that any advertising used is not misleading, deceptive or confusing
* regulations will set minimum advertising standards for credit
* if a lender advertises credit in a language, they will also have to offer to provide the borrower with information about the loan in that language.

1. Greater transparency and access to redress during debt collection:

* debt collectors will be required to disclose to debtors specific information at the commencement of debt collection action. This information will be specified in regulations and is likely to include the unpaid balance prior to debt collection action, any debt collection fees to be added and where to get help.