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A win for borrowers; CCCFA changes won

Cabinet agrees to CCCFA reform.

- Friday, March 11th 2022

The Government has just announced big changes to the Credit Contracts and Consumer Finance Act (CCCFA).

This follows a storm of criticism of the Act and a review ordered by the Minister of Commerce and Consumer Affairs, David Clark.

The Act, which came into effect last December was intended to protect vulnerable borrowers, but ended up penalising almost everyone.

In making the changes, Clark said there was "little enthusiasm for wholesale changes to the Act, but instead a preference for some practical amendments."

And he said there was no reason to think the CCCFA was the main driver in reduced lending.

It was also important to note the changes were not the final word.

The changes include removing regular 'savings' and 'investments' as examples of outgoings that lenders need to enquire into when assessing the borrower's future expenses.

They also clarify that when borrowers provide a detailed breakdown of their future living expenses, and these are benchmarked against robust statistical data, there is no need to also enquire into their current living expenses from recent bank transactions.

They also say that where lenders choose to estimate future expenses from recent bank transaction records, they are permitted to obtain information about how their current expenses are likely to change once the contract is entered into.

And they say that the requirement to obtain information in 'sufficient detail' only relates to information provided by borrowers directly, rather than relating to information from bank transaction records.

They provide further guidance on when a lender needs to allow for a 'reasonable surplus' and how lenders should set surplus requirement.

And the changes provide alternative guidance and examples for when it is ‘obvious’ that a loan is affordable. In cases like that, a full income and expense assessment will not be required.