

Responsible Lending Code

By law, Lenders are governed by the Credit Contracts and Consumer Finance Act and are guided by the Responsible Lending Code.

What Borrowers and Guarantors need to know

When you apply for a loan, the organisation lending you money (the lender), needs to make sure they understand your situation and needs. The lender must provide key information about your loan including interest rates, and fees.

What can you expect from a responsible lender

- Lender must check the loan is suitable for you.
- Lender must check that the loan is affordable for you, and will not cause substantial hardship.
- Lender must help you to understand your loan.
- Lender must ensure the loan agreement is not oppressive and that they do not treat you oppressively.

Substantial hardship

- when it becomes hard to meet your loan commitments. **Please note: If you are struggling with payments, talk to your lender or a budget adviser at the first opportunity, ideally Before you miss a payment.**

A responsible lender must make enquiries to check whether you are likely to be able to make your loan payments without suffering substantial hardship and lenders may ask about your:

- Income type/amount/frequency
- Cost of living which may include accommodation, food, power etc.
- Fixed living expenses, which may include loans/HPs/credit cards/Bad debts etc.
- Your credit history

Responsible lenders also need to see and take copies of documents that prove your identity and proof of address

- Identity documents
- Your proof of address

Responsible lenders also need to see and take copies of documents that prove your financial situation

- A request for bank statements, and copies of payslips or Statement of Means from WINZ if on a benefit.
- Asking to see original documents, or certified copies.

A responsible lender must help you understand your loan.

- Before you sign up, your lender is required to provide you with **Key information** about your loan in writing. This is called a disclosure document. Your lender must help you to

understand what you are committing to before you sign up, by discussing the key information in the disclosure document with you and by answering your questions.

- Clearly highlight the key features of the agreement (for example, by providing a copy of the agreement and circling key features while explaining them, or ensuring key features are highlighted clearly on an online loan application). Key features you should look out for include the term of the loan, interest rates, fees, the repayments you will need to make, and whether security is being taken over anything else you own.

Helping you if things go wrong

- If circumstances change and you are having trouble paying your loan you should contact your lender as soon as possible.

A responsible lender should:

- Treat you fairly, act carefully and responsibly at all times, and treat you reasonably and with respect.
- Consider a hardship application if you make one.
- Not act oppressively.
- This may include renegotiating the terms of your loan where it is possible to do so. A responsible lender will help find a solution that works if you are experiencing financial hardship. This may include referring you to someone who can give you advice about how best to manage your money. (i.e. A Budget Advisor)

Websites which provide useful information about borrowing money.

www.sorted.org.nz

www.consumeraffairs.govt.nz

www.comcom.govt.nz