

WHAT YOU CAN EXPECT WHEN YOU APPLY FOR A LOAN

When you apply for a loan, the organisation lending you money (the lender) has some responsibilities to you.

Lenders need to make sure they understand your situation and your needs.

This brochure tells you what a responsible lender will do to help you and make sure you don't get a loan that you can't repay.

These guidelines are provided for consumers who are borrowing money under a contract governed by the Credit Contracts and Consumer Finance Act 2003.

IF YOU HAVE A COMPLAINT ABOUT YOUR LOAN

If talking to your lender doesn't help, you can make a complaint to the lender's independent dispute resolution scheme. The scheme will be one of the four schemes listed below. Ask your lender which scheme you should contact. These complaint schemes are free for consumers.



BANKING OMBUDSMAN SCHEME

Freephone: 0800 805 950
Email: help@bankomb.org.nz
Website: www.bankomb.org.nz



INSURANCE AND FINANCIAL SERVICES OMBUDSMAN SCHEME

Freephone: 0800 888 202
Email: info@ifso.org.nz
Website: www.ifso.org.nz



FINANCIAL SERVICES COMPLAINTS LTD

Freephone: 0800 347 257
Email: info@fscl.org.nz
Website: www.fscl.org.nz



FINANCIAL DISPUTE RESOLUTION SERVICE

Freephone: 0508 337 337
Email: enquiries@fdrs.org.nz
Website: www.fdrs.org.nz

For more information about the
Financial Services Federation, go to www.fsf.org.nz

RESPONSIBLE LENDING GUIDELINES

WHAT YOU SHOULD EXPECT FROM YOUR LENDER WHEN YOU ARE BORROWING MONEY



Understanding your needs

A responsible lender will do everything they can to understand you and your situation, so you can make good decisions about your loan. Lenders must keep all your information confidential.

Responsible lenders may need to ask questions about your financial situation

Depending on your circumstances, lenders may ask about your:

- income or benefits (including whether you have a full-time, part-time, or casual job)
- fixed expenses (such as rent, repayment of other debts, child support, and monthly or yearly expenses such as insurance)
- other expenses that come up from time to time (and any special or unusual circumstances that might change your ability to repay a loan)
- existing loans and whether your new loan will be used to repay your existing loans
- credit history
- personal circumstances, including your age (especially if you are under 18) and the number of people who are financially dependent on you
- assets and their value (such as a house or car).

Responsible lenders may need to ask for proof about your financial situation

Depending on your circumstances, proof may include:

- getting a copy of your credit report
- asking for copies of payslips, tax returns, and bank statements
- asking to see identity documents (e.g. a passport)
- with your permission, talking to your employer or accountant
- asking to see original documents, not just photocopies
- checking in other ways (with other lenders for example, especially if any information or documents provided do not match).

Responsible lenders will do their best to understand your needs and goals

Depending on circumstances, lenders may ask about:

- the amount you would like to borrow
- the date you need the money and how long you need it for
- what you need the money for
- the type of loan that would suit you best.

Deciding if the loan is right for you

Lenders need to work out whether you are able to repay a loan. A responsible lender may decide not to give you a loan if they believe that:

- you would be unable to repay the loan
- you would find it extremely hard to repay the loan
- the type of loan will not meet your needs or goals.

Making sure you understand

A responsible lender should:

- do their very best to make sure you understand everything about the loan, including your rights and responsibilities, before you sign a contract
- give you fair terms and conditions, including clearly explaining interest rates and fees
- make fair decisions about the property being used as security for your loan
- make sure that any property used as security for your loan is clearly described in your loan documents and is understood by you
- make sure you understand the risks that come with having a loan, and the result of not repaying it, which might include repossession or the sale of any property you provide as security
- give you this information at the time you apply for the loan.

Helping you if things go wrong

If you are having trouble paying your loan you should contact your lender as soon as possible.

A responsible lender should:

- treat you reasonably if you miss payments. This may include renegotiating the terms of your loan where it is possible to do so
- work with you to find solutions if you are having problems with your money, or suddenly face hardship. This may include referring you to someone who can give you advice about how best to manage your money
- refer you to a budget advisor and work with the budget advisor if you ask for that
- help you to deal with any social service provider (such as Work and Income New Zealand) if you ask for that
- make sure that, if your property has to be repossessed, you are treated fairly, remembering that the lender also has a right to be repaid. Being treated fairly includes:
 - making reasonable efforts to tell you about other payment options before the property is repossessed
 - repossessing only the property named as security in the loan contract
 - treating you and your property with dignity and making sure the repossession agents also treat you fairly.

Talk to a financial mentor

MoneyTalks is a free helpline available to provide free budgeting advice to individuals, family and whānau.



www.MoneyTalks.co.nz

Phone: 0800 345 123 Email: help@moneytalks.co.nz

Other helpful resources:



Moneytalks is a free helpline providing budgeting advice.

www.MoneyTalks.co.nz
help@moneytalks.co.nz
0800 345 123

The Responsible Credit-Related Insurance Code is produced by:



FINANCIAL SERVICES FEDERATION

These guidelines are for consumers to understand the benefits of credit-related insurance products and how they should be sold responsibly. They are not a substitute for reading and understanding a credit - related insurance policy before buying it.

If you have a complaint about your insurance provider:

If talking to the insurance company doesn't help, ask the company which independent dispute resolution scheme they belong to. The scheme will be one of these listed below, which are free for consumers.

The Insurance and Financial Services Ombudsman Scheme

Freephone: 0800 888 202

Email: info@ifso.nz

Website: www.ifso.nz

Financial Services Complaints Ltd

Freephone: 0800 347 257

Email: complaints@fscl.org.nz

Website: www.fscl.org.nz

Financial Dispute Resolution Service

Freephone: 0508 337 337

Email: enquiries@fdrs.org.nz

Website: www.fdrs.org.nz

For more information about the Financial Services Federation, head to our website, www.fsf.org.nz.

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@FinancialServicesFederation

Financial Services Federation

RESPONSIBLE CREDIT-RELATED INSURANCE CODE:

WHAT CONSUMERS
SHOULD EXPECT FROM
RESPONSIBLE INSURANCE
PROVIDERS

HOW RESPONSIBLE
INSURANCE PROVIDERS
BEHAVE



FINANCIAL SERVICES FEDERATION

Who is the Responsible Credit-Related Insurance Code for?

- Consumers to understand their rights and obligations when dealing with credit-related insurance products and providers;

What is Credit-Related Insurance?

Credit-related insurance is designed to protect your lifestyle and/or your vehicle if something goes wrong. The types of credit-related insurance available include:

- Consumer Credit Insurance which includes Credit Contract Indemnity, Payment Protection Insurance and Repayment Waivers and covers your obligations under a credit contract, and may protect you and your family if some of the following happen: you are off work due to accident, illness, redundancy or hospitalisation. It may cover your loan repayments in these events or repay your loan in full in the event of your death;
- Guaranteed Asset Protection to cover the gap between what your vehicle insurance pays out and the balance you owe under your loan agreement if your vehicle is written off;
- Motor Vehicle Insurance covers accident, loss or damage to your motor vehicle. It will almost always be required if a loan has been provided for you to purchase the vehicle.

Why is it good for consumers?

Having appropriate credit-related insurance protection means:

- Your loan repayments may be covered if something goes wrong; or
- Your loan is repaid in full if you die; or
- Your credit rating is protected in the event of an insured loss; or

- Your asset is covered if it is lost or damaged through accident, fire or theft; or
- Your loan is repaid in full if your vehicle is written off.
- You may also be able to purchase mechanical breakdown insurance covering your vehicle against defined mechanical or electrical failure.

Consumers - understand your rights:

You do not have to buy credit-related insurance (except where it is a condition of taking out the loan) and you do not have to take it out with the credit-related insurance provider recommended by the lender.

Responsible credit-related insurance providers will:

- Ensure that the insurance being provided to you meets your requirements and objectives and that it protects you against the risks you want to cover; and
- Ensure that the policy sold is appropriate when compared to the loan amount or credit limit or value of the asset being insured; and
- Assist you to understand the terms of your insurance contract and make sure you understand key features like:
 - How much it will cost (the amount of the premium) and that you can afford it;
 - If the premium is being added to the loan, the total amount of interest that will be paid over the term of the loan as a result;
 - What the insurance contract covers you for (and what it does not cover you for);
 - How long you are covered for;
 - The period of time during which you can cancel the policy if you change your mind after taking it out.

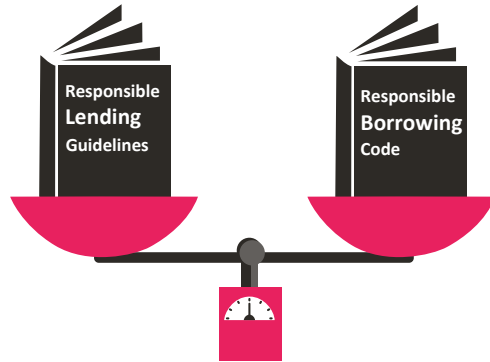
Consumers - Your responsibilities:

- Act honestly and provide full and accurate information when applying for credit-related insurance, or when making a claim;
- If you need to make a claim under your policy, please do so as soon as possible after the incident or situation occurs;
- Read and understand your terms and conditions, keep a copy of your contract, and contact your provider if circumstances change or something needs updating;
- All motor vehicles should be covered by comprehensive insurance (this may be a requirement if you have taken out a loan to buy the vehicle). If this is not required and the vehicle is of low value then third-party insurance should be held at least. This protects you if you cause damage or loss to someone else's property. You are however responsible for your own damage or losses.

Insurers - Responsible credit-related insurance providers will:

- Ensure all their products comply with all requirements under New Zealand law; and
- Be easy to get hold of and will return your calls and answer your questions; and
- Allow you to make sufficient inquiry to satisfy yourself that you are getting value for money; and
- Before cover is arranged, give you a policy document written in plain English explaining what you are covered for and what you are not; and
- Include full instructions for making a claim on your insurance policy if necessary and help you to make a claim; and
- Make a decision on any claims and communicate it to you as soon as possible.

THERE ARE TWO PARTS TO THIS EQUATION



Lenders have an obligation to lend responsibly

Lenders are regulated by the Credit Contracts and Consumer Finance Act and guided by the Responsible Lending Code.

Borrowers have an obligation to borrow responsibly

These guidelines set out the expectations of responsible borrowers, completing the other half of the equation.

It is voluntary, but following these guidelines shows your commitment to borrowing responsibly.

TALK TO SOMEONE INDEPENDENT

Visit www.moneytalks.co.nz or call 0800 345 123 to talk to a financial mentor.

It's important you get some advice before taking on a loan or credit contract.

Talk to someone who is independent so you can be sure the advice is robust.

MoneyTalks is a free helpline available to provide free budgeting advice to individuals, family and whānau.



THE RESPONSIBLE LENDING GUIDELINES

There are two parts to this equation: lending and borrowing.

The Responsible Lending Guidelines outline what you should expect from your lender when you are borrowing money.

Both The Responsible Borrowing Code and

The Responsible Lending Guidelines can be found at the Financial Services Federation website: www.FSF.org.nz.

THE RESPONSIBLE BORROWING CODE:

WHAT TO THINK ABOUT BEFORE YOU BORROW



Why have a Responsible Borrowing Code ?

This Code is for anyone thinking about taking out a loan or entering into a credit contract.

82% of New Zealand families have debt of some kind, and collectively we spend more than we earn.

These guidelines will help you avoid penalties, repossession, stress and heartache.

It establishes minimum expectations for New Zealanders considering a loan or credit contract.

WHAT IF YOU'VE BEEN DECLINED?

If a lender has declined your loan application, it's because they don't believe it would be responsible to provide you with a debt you may not be able to repay.

Talk to someone independent

Sometimes it's hard to step back from your own finances and see the big picture. When you feel like this, it's important to talk to someone independent - not another money lender. We suggest you talk with a financial mentor, who will offer free, confidential and non-judgemental advice.

Call 0800 345 123

Email help@moneytalks.co.nz

www.Moneytalks.co.nz

1 WORK OUT YOUR BUDGET

A responsible borrower is sure they can afford the repayments.

Your budget lists your income and expenses, and shows if you have a deficit or a surplus. It includes both regular and occasional items.

By making a budget showing your current income and expenses, you can see if there's any room for additional expenses like loan repayments.

If your current budget shows a deficit, then a loan is not the answer.

2 LOOK AT ALL YOUR OPTIONS

A responsible borrower considers whether there are other ways to meet their needs.

A loan might not be the answer.

For example, if you want to buy a car, think about: other forms of transport, rescheduling your appointments, or a smaller vehicle like a scooter. Think about all these things before buying a car on credit.

Another example: If you want to buy something that's not urgent, think about saving up and buying it later.

Work and Income will sometimes advance small amounts to people on a benefit, to cover essential items. They recover the advance slowly, without interest.

3 FIND OUT MORE ABOUT IT

A responsible borrower knows what they are signing.

You might need someone else to help explain it to you - a translator or budget adviser, for example. Look out for details on the total cost of the loan, including administration fees and what penalty fees could apply.

4 PROVIDE REAL INFORMATION

A responsible borrower provides all the information the lender needs to make an informed lending decision.

A responsible lender will ask you questions about your ability to repay, and may ask for things like bank statements, payslips, proof of debts, etc.

A responsible borrower will not hide relevant information from the lender, or mislead them in any way.

5 KEEP THEM INFORMED

Unexpected life events can make repayments difficult. Talk to your lender when this happens. You might need to ask about their hardship provisions and talk to a budget adviser about your options.