

Shopping for a loan

What you need to know before you borrow and what to expect from lenders.



Before you agree to a loan

If you find it hard to manage your money or loan payments, there are several things you can do before borrowing from a lender. It pays to understand all options available to you.

Consider your options

When you borrow money you need to be able to pay it back. If saving is not an option, think about what low cost options might be available before you approach a high-cost lender. Start by talking. Most of us need support to make good decisions about money, so talk to your family or get help in the community.

Support from your community

MoneyTalks

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

Our financial mentors can:

- Understand your financial situation
- Manage your debt
- Plan for the future
- Get you in touch with a financial mentoring service in your community

**Phone MoneyTalks on
0800 345 123
visit moneytalks.co.nz**

Good Loans

Good Shepherd NZ provides no-interest and low-interest loans to:

- buy essential products or services — examples include to replace a broken fridge or pay for urgent car repairs.
- pay existing loan repayments (alongside debt coaching and advocacy).

These loans are available to people who hold a Community Services Card, or who meet some other eligibility criteria. These loans can also be made available to people on work visas.

**Phone Good Shepherd on
0800 466 370
visit goodshepherd.org.nz**

Ngā Tāngata Microfinance

Ngā Tāngata Microfinance Little Loans can help you:

- pay off high-cost debt with a no-interest loan
- pay for essential items like a fridge, school fees or medical fees

Little Loans are available through financial mentoring services in your local community.

visit www.ngatangatamicrofinance.org.nz or get in touch with your local financial mentoring service through www.moneytalks.org.nz

Help with urgent or unexpected costs

Work and Income may be able to help if you struggle to pay living costs, or get an unexpected bill — even if you are working.

visit [workandincome.govt.nz/eligibility/urgent-costs](https://www.workandincome.govt.nz/eligibility/urgent-costs)

Check if you can get help from the Ministry of Social Development

visit [check.msd.govt.nz](https://www.check.msd.govt.nz)

What to expect if you decide to borrow

If you decide to borrow, then decide where the best place to borrow is for you.

Borrowing from banks or other lenders

If you already have a loan, talk to your lender. They may be more open to lending you money than you think. Interest rates will be lower than with high-cost lenders.

Borrowing from high-cost lenders

A high-cost loan means any loan or consumer credit contract with an annual interest rate higher than 50%. This includes the average interest rate, if more than one rate applies under the contract. Often these loans will need to be paid back in less than a year. This can be difficult if your income varies.

All lenders, including payday lenders and truck shops, must follow responsible lending rules.

- Lenders must check if the loan will meet your needs.
- Lenders must make sure you can afford repayments as well as your other outgoings.
- Lenders must promptly share certain important loan information with you in writing at various stages throughout the life of the loan.

If a lender charges too much, or breaks other responsible lending rules, they may:

- have to pay refunds or damages
- be fined for breaking the law.

Before you borrow know your rights

Your rights are protected by the Credit Contract and Consumer Finance Act (CCCFA) when you:

- Take out any loan for personal or household purposes, eg a short-term loan from a payday lender.
- Buy on credit from a truck shop or other mobile trader.

The law limits how much lenders can charge you in interest and fees for high-cost loans starting after 1 May 2020:

- Lenders cannot ask you to pay back more than twice the amount you first borrowed (the amount borrowed is also called the principal), even if you borrow more.

- They cannot charge more than 0.8% of the unpaid loan balance in interest and fees per day on any day during the term of the loan.
- They cannot charge compound interest (interest on interest).
- Default fees should not be more than \$30 in total for any missed payments, unless the lender can prove that a higher amount is reasonable.

If a lender or truck shop makes you pay more than the legal limit in fees or interest, you can get a refund but you will still have to pay back what you borrowed

Are you being charged too much?

If you think a lender or truck shop is making you pay more than the legal limit in fees or interest, you may be able to get a refund. You may also be able to claim damages.

Step 1: Contact the lender

Ask the lender to explain the terms (rules) of your loan. Ask for a copy of the agreement. If the lender refuses, they may be breaking responsible lending rules.

Step 2: Get free help

If you still think you are being charged too much, you can get help and advice from trained experts.

MoneyTalks free financial helpline will connect you to a free financial mentor who can:

- help work out if you are entitled to a refund
- talk to lenders for you
- make a claim for a refund and, in some cases, compensation.

Phone MoneyTalks free financial helpline 0800 345 123

Take your complaint further

If you can't resolve your issue directly with the lender, you can then report the problem to their dispute resolution scheme.

Find out which scheme a lender belongs to www.fsp-register.companiesoffice.govt.nz.

You can complain to the Commerce Commission at www.comcom.govt.nz or by calling them on 0800 943 600.

Commerce Commission can't investigate every complaint, or solve your individual problem. But they can warn or prosecute the business. Your information helps them assess which consumer issues are causing the greatest harm.

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