

## **NEW LENDING RULES**

Over recent decades successive governments have tried to provide a satisfactory regulatory system for companies, banks, lending institutions and loan sharks. Many borrowers find out too late the onerous obligations set by some Lenders.

There is a new Bill before Parliament which the current Parliament will consider and hopefully pass into law over the next year or so. The Credit contracts and Financial Services Law Reform Bill, if it is passed into law, will provide a number of new rules to protect consumers.

It is intended that the new law will introduce a responsible lending code which would apply to all businesses which make loans available to the public. Lenders will also have to disclose all of the details of their loans so borrowers will know exactly what they are letting themselves in for before they sign up for a loan.

The Bill also provides that increased fines could be levied on any Lender who is found to be in breach of the code, the requirements for warnings to consumers about making minimum payments only and the licensing of repossession agents and a lot more.

There are a number of issues with loans which are not addressed in the Bill and it would be good to see amendments incorporating some of those omissions as the Bill proceeds through the House.

Under the current lending regime many borrowers do not find out until it is too late what some of their obligations are under their loan. However borrowers also need to be responsible with their finances. One case I vividly recall happened some years ago. A family went on holiday and while they were away their car broke down. None of the mechanics in the area would repair the car as the family had no money to pay for repairs so the car was abandoned. They went to a loan shark and obtained a loan, bought another car and travelled home. It was suggested to them that they could have travelled home by bus. That was not an option for them as they had no money to pay bus fares and in any event, they had to get the dog home.

I often come across people in debt who have a number of loans from various lenders. The penalty interest rates on such loans are huge and there is little hope of financial survival for the borrowers.

I am reminded of Shakespeare's adage "neither a borrower or a lender be."

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