



COMMISSION FOR ECOLOGY, JUSTICE AND PEACE

14 June 2019

**SUBMISSION TO THE FINANCE AND EXPENDITURE SELECT COMMITTEE ON THE  
CREDIT CONTRACTS LEGISLATION AMENDMENT BILL**

***Usury [excessive interest] is an ancient and unfortunately still concealed evil that, like a snake, strangles its victims...it tramples on the dignity of people, is a vehicle for corruption and hampers the common good. It also weakens the social and economic foundations of a country.***

Pope Francis: Address to anti-usury organisations, February 2018

1. The Wellington Catholic Archdiocesan Commission for Ecology, Justice and Peace supports the Credit Contracts Legislation Amendment Bill and wishes to see it proceed.
2. The Archdiocese of Wellington does not run budgeting or micro-finance services, but are grateful to other church and community agencies that do. However, we see the impact of indebted families in the course of the work we do.
3. Many people borrow small amounts of money for essential costs, which balloon into unaffordable burdens. This local experience is backed up in research, for example the Pew Charitable Research Trust found that
  - Most borrowers use payday loans to cover ordinary living expenses over the course of months, not unexpected emergencies over the course of weeks ... The first time people took out a payday loan:
    - 69 percent used it to cover a recurring expense, such as utilities, credit card bills, rent or mortgage payments
    - 16 percent dealt with an unexpected expense, such as a car repair or emergency medical expense.
4. It has been well documented that excessive interest, together with unreasonable fees and penalties, and inappropriate lending and debt-collection practices, have ensnared many vulnerable New Zealand families in debt that spirals out of control.
5. We thank responsible lenders who act with integrity and compassion. We recognise that many low-income New Zealanders have few credit options, and are grateful to those who support families with budget advice and other forms of financial literacy, and with appropriate loans. We recognise that there needs to be more controls put in place for other lenders.

**6. Maximum interest rate of loans**

We are disappointed that initial consultation about a maximum interest rates has not carried through to this Bill. We would like to see a maximum interest rate established.

**7. Cap on the total cost of credit**

We support the cap on the total cost of credit from rising to more than 100% of the original advance. We would like the Select Committee to ensure that there are protections against rollover or successive loans being freshly issued as “new” debt.

**8. Registration of lenders**

We support provisions around the formal registration of lenders, including payday lenders and truck shops.

**9. Requirement for financial education**

We would like to see financial education formally included in lenders’ responsibilities. Most products come with instructions for use, which highlight proper procedures for use, along with the risks for improper use. However, in the case of financial products, even though harm is very likely from the misuse of debt, these rarely, if ever, come with instructions, for example in the form of financial capability education, warnings, advice on how to fix the course of debt or its repayment if it becomes problematic. We would like to see requirements for provision of financial education, for example, referrals to budget advisors and on-line material such as Sorted.

**10. Provision of key information in languages that people can best understand**

We support concerns that financial information regarding interest rates, fees and penalties be provided in the language that people can best understand it. For example, lenders who advertise in Pasifika languages but provide credit contract information only in English.

*For more information, please contact*

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