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4 November 2026

By email to: Mobile Stakeholder Group
Broadband Stakeholder Group
Consumer Stakeholder Group

Tēnā koutou

Publication of draft Interest Free Device Repayment Plan Guidelines for consultation

1. We are writing to invite your feedback on the Commission's draft Interest Free Device Repayment Plan Guidelines (the Guidelines), enclosed with this letter.

2. The Commission is consulting on Guidelines that are proposed to be issued under section 234 of the Telecommunications Act 2001 and form part of the Commission's ongoing work to improve retail service quality (RSQ) for telecommunications consumers.

3. They set out our expectations for retail service providers (RSPs) offering Interest Free Device Repayment Plans (IFPs), so that consumers can make informed choices about the plans and services that meet their needs and understand the IFP arrangements they enter into.

4. Transparency around key terms and affordability is an important consideration in helping consumers make informed decisions and reducing the risk of financial hardship. We consider that consumers are more likely to avoid financial hardship if they are provided with clear information and are prompted to actively consider their repayment commitments separately from the general terms and conditions.

5. The draft Guidelines are supported by research and engagement with consumers, industry and other stakeholders, the key findings of which are set out in the Appendix to this letter. We also sought early feedback from Spark, One NZ and 2degrees during the drafting process. We appreciate their engagement and have incorporated their feedback where appropriate to enhance the clarity, effectiveness and workability of the Guidelines.

6. We welcome submissions on the draft Guidelines from consumers and industry as part of our public consultation process.

7. Submissions can be sent to telecommunications@comcom.govt.nz by Tuesday 1 December 2026 with "Retail Service Guidelines" in the subject line.

8. Where submitters do not support a proposal in the draft Guidelines, we ask that they identify any alternative wording that they consider appropriate and explain the basis for that view.

9. Submissions should be supported by appropriate evidence, including details of any commercial rationale for proposed changes and how the alternative would meet the Guidelines' consumer outcomes.

10. Following consultation, the Commission will consider submissions before finalising the Guidelines.

11. The protection of confidential information is something the Commission takes seriously. When including commercially sensitive or confidential information in your submission, we offer the following guidance:

    11.1 please provide clearly labelled confidential and public versions of your submission as we intend to publish all public versions on our website; and

    11.2 the responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.

12. Please note that all submissions we receive, including any parts that we do not publish, can be requested under the Official Information Act 1982. This means we would be required to release material that we do not publish unless good reason exists under the Official Information Act 1982 to withhold it. We would normally consult with the party that provided the information before any disclosure is made.

13. If you have any questions about this letter or the Guidelines, please contact Andrew Young at market.regulation@comcom.govt.nz.

Ngā mihi nui

Andrew Young
Manager, Telecommunications Monitoring and Service Quality

Appendix: Interest Free Device Repayment Plan 2025/26 Review Findings

Executive summary

1. This appendix sets out the findings of our 2025/26 review into IFPs offered by New Zealand's three major mobile network operators (MNOs): 2degrees, One NZ and Spark. These findings support the need for the draft Guidelines, which are intended to help consumers understand the terms of their IFP and consider whether the repayments fit their budget.

2. Our review found that most consumers benefit from IFPs and use them responsibly. There was limited compelling evidence of widespread consumer harm directly attributable to IFPs. However, some concerns were identified, particularly around the lack of affordability checks and the clarity of contract terms. While these issues do not appear to be causing substantial harm at scale, they do present risks for certain consumers, especially those with limited financial resilience or understanding of contractual obligations.

Background

3. Section 234 of the Telecommunications Act gives the Commission a discretionary power to issue guidelines to the telecommunications industry on any matters relating to retail service quality codes.[1] As we signalled in our *Improving Retail Service Quality Final Baseline Report*, debt and affordability directly relate to the way an RSP treats and deals with its customer over the course of a service contract, such that they could reasonably be regarded as falling within the scope of RSQ under s 5.[2]

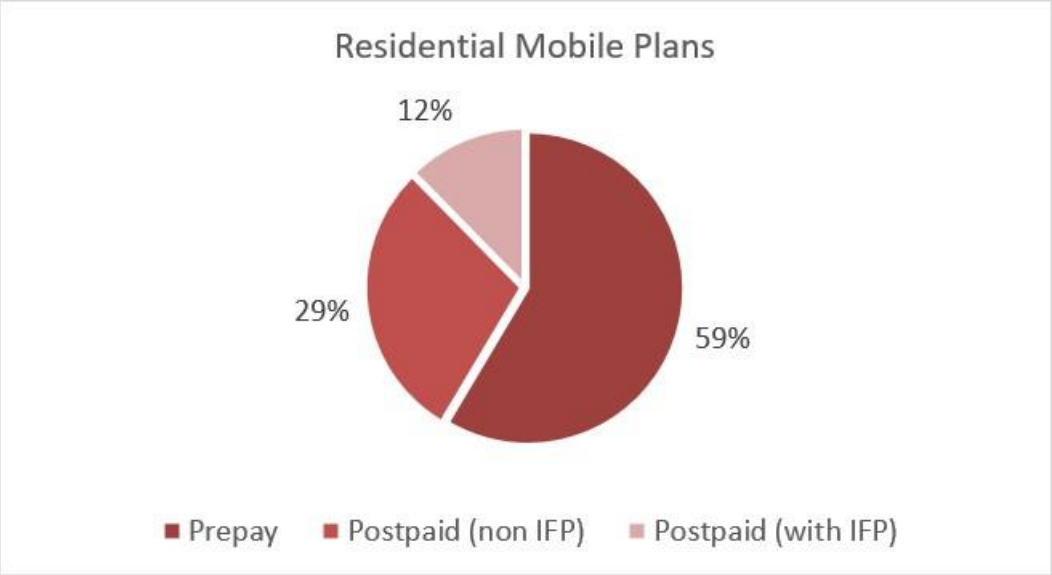
4. IFPs are payment plans offered by 2degrees, One NZ and Spark as opposed to interest free options offered by payment providers like Gem. They are a popular way for some consumers to purchase handsets, tablets, smartwatches, and gaming consoles because they allow consumers to spread the cost of the device over 12, 18, 24 or 36 months with no interest charges. IFPs involve fixed monthly payments and a low upfront deposit, usually between $50 and $100.

5. IFPs are most commonly available to MNOs' pay monthly consumers, though some providers also offer IFPs on broadband plans as well. Around 30% of postpaid mobile users take up IFPs, representing approximately 12% of all mobile consumers.

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[1] The Telecommunications Act, section 234.

[2] Refer para 44 of the *Improving Retail Service Quality Final Baseline Report* for a discussion on the scope of the definition of RSQ under the Act. https://www.comcom.govt.nz/__data/assets/pdf_file/0023/272930/Improving-Retail-Service-Quality-Final-Baseline-Report-9-December-2021.pdf, para 44. In short, while debt and affordability practices are not expressly listed as RSQ matters in s 5, the list is non-exhaustive. Accordingly, in the Commission's view, these practices fall within the scope of RSQ as aspects of how an RSP treats and deals with customers, including in relation to customer service, contract issues and billing.



Source: Commerce Commission Annual Monitoring Report

6. Consumers value the convenience and affordability of IFPs, which can be especially helpful for those with limited savings or credit history. The ability to spread payments over time makes it easier to access important personal or household technology.

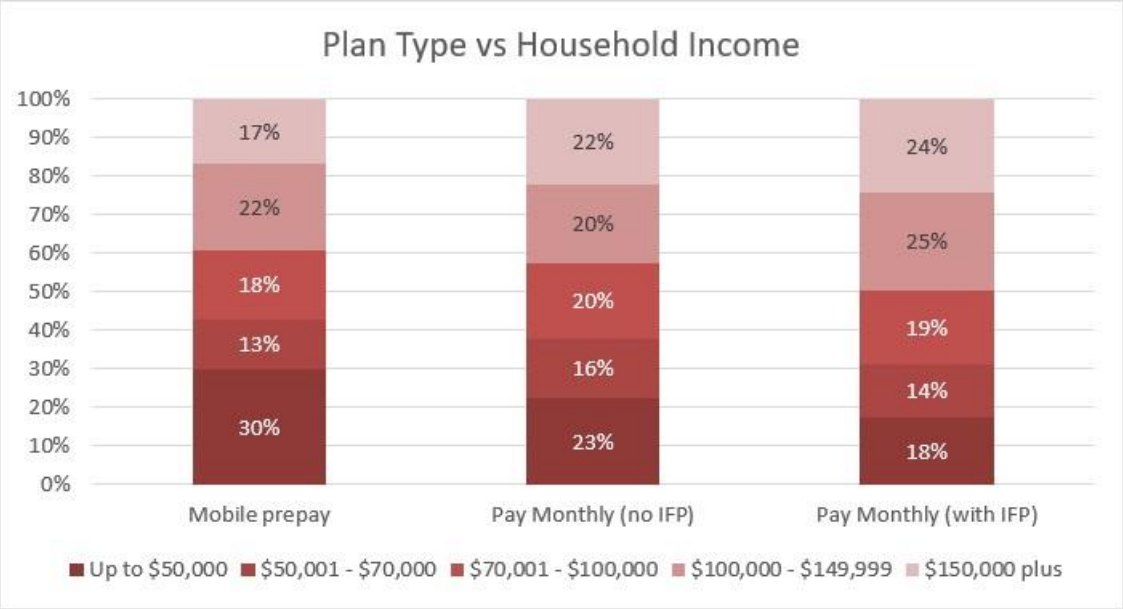
7. All three MNOs offer IFPs on a broad range of devices, including models priced from $200–$300, which have monthly repayments of less than $10. IFPs are also available across a wide range of plans with no MNOs currently limiting high end handsets to specific plans.

8. Providers do promote higher end plans through IFP discounts. The size of the discount generally depends on the device cost, repayment term, and monthly plan price - customers on longer terms or higher-priced plans receive larger discounts. While premium devices and higher-priced plans may attract greater discounts, more modest savings are also available on lower-cost devices and plans (e.g. $50 on a $299 handset). However, the higher discount does not generally offset the additional cost of the higher-priced plan, meaning the overall monthly cost still increases as plan prices increase.

9. Importantly, these discounts do not stop consumers from changing to a lower cost plan during their IFP term if needed. All providers have moved to a model where the consumer forgoes any remaining discount linked to the higher plan but can otherwise continue with the IFP term (i.e. they are not required to pay the outstanding balance on the IFP).

10. While IFPs are accessed by consumers from a range of income levels, uptake is proportionally higher among those with higher incomes, suggesting it is used to

purchase devices immediately (versus saving for the device) rather than to purchase devices that would otherwise be unaffordable for the consumer.



Source: Commerce Commission consumer survey data

11. Consumers who wish to switch providers during their contract terms are required to pay the remaining balance on their device, and any outstanding discount is forfeited. While this may limit the attractiveness of switching, the IFP contracts do not prohibit switching. We note that in overseas markets some providers offer to pay outstanding balances when consumers switch to them, but these are not prevalent in the New Zealand market.

12. While IFPs offer flexibility and convenience, concerns have emerged about their affordability, transparency, and potential to contribute to financial hardship. [3]

13. In our *Improving Retail Service Quality Final Baseline Report,* it was noted that RSPs do not appear to perform basic affordability checks in relation to IFPs.

14. In addition, concerns have been raised from consumer groups that, while initial payments may appear manageable, some consumers later discover that the overall financial commitment is higher than expected, leading to affordability challenges.

[3] Alongside our work on IFPs, there is a separate programme focused on broader debt and affordability issues, looking at practices beyond IFPs, such as how providers manage debt and support customers facing financial hardship. That work is currently underway.

Review scope and approach

15. In order to identify and size issues as well as determine the appropriate responses that were needed (if any), we undertook a detailed review of the current IFP offerings and processes from 2degrees, One NZ and Spark. This included:

    15.1 Review of RSP websites and promotional materials to understand what information is available to consumers and how it is presented;

    15.2 Review of other jurisdictions to understand how IFPs are sold, any issues that have been considered and any regulatory actions implemented;

    15.3 Research / interviews with consumers to understand their IFP experiences:

    15.4 Qualitative research interviews with 18 IFP consumers;

    15.5 Quantitative research with targeted IFP questions in our monthly consumer survey (c.1,110 consumers);

    15.6 Engagement with stakeholders to understand their processes and concerns:

        15.6.1 MNOs - Spark, One NZ, 2degrees; and

        15.6.2 Financial mentors and FinCap.

Review findings

16. Our review found that most IFP users see them as an effective way to access devices without high upfront costs. Many value the convenience and ability to spread payments. Discounts and perceived savings are also key drivers, with some consumers feeling they get better value than paying upfront. Overall, the mix of flexibility, accessibility, and perceived value makes IFPs appealing to many.

17. We found that consumers with an IFP can view repayment details, including the remaining number of repayments and the outstanding balance, through an app, online or on their bill.

18. We found no evidence that IFPs lead to more issues with missed payments or arrears. Between 3–4% of our research respondents with an IFP said they had missed or struggled with repayments versus the industry arrears rate of 10%.[4] We found no evidence that IFP discounts were leading to overspending, with most consumers selecting the pay monthly plan that meets their data needs rather than the one with the highest discount. We also found no evidence of consumers taking pay monthly plans when they could have paid for the phone outright and taken a cheaper prepay plan.

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[4] https://www.centrix.co.nz/wp-content/uploads/2025/10/Centrix-Credit-Indicator-Report-September-2025_Web.pdf

19. However, we did find evidence that some consumers later realised the total financial commitment was greater than expected, even though they may not have missed repayments. Financial mentors raised concerns about the lack of affordability checks and the risk of some consumers taking on debt beyond their means.

20. We also found evidence that consumers did not fully understand the details of the IFP agreements (for example that they couldn't return the device if they were having payment difficulties as they could do for car repayments). The nature of IFPs, combined with inconsistent disclosures by providers, means some consumers may enter into agreements that they do not fully understand. Our review work leads us to the view that strengthening disclosure requirements would help ensure consumers are better informed, reducing any risk of confusion and supporting better decision-making.

Other jurisdictions

21. As part of our review, we looked at key features of IFPs as they relate to debt and affordability in other countries. The table below summarises our findings.

Jurisdiction	**Common Name**	**Mandatory Mobile Plan?**	**Affordability Checks**	**Early Termination Fee (ETF) Rules**
New Zealand	Interest Free Phone Plan (IFP)	Yes	No specific affordability check requirement.	Must repay device balance if you cancel.
United Kingdom	0% APR Financing / Device Credit Agreement	Yes	No specific affordability check requirement.	Must repay device balance if you cancel. ETFs may apply.
Australia	Interest Free Phone Plan / Device Payment Contract	Yes	No specific affordability check requirement.	Must repay device balance if you cancel. ETFs may apply.
Canada	Varies by provider	Yes	No specific affordability check requirement.	ETFs capped at 24 months, calculated via formula under Wireless Code.
USA	Smartphone financing / Instalment plans	Yes	No specific affordability check requirement.	Must repay device balance if you cancel.

Consumer harm from complex pricing structures

22. A further leg of this work was a closer look at possible consumer harm IFPs may unknowingly be imposing on consumers due to their relatively opaque pricing structures.

23. By their nature, IFPs are complex. There are multiple variables that impact what the customer ends up paying. Handset cost, discounts, trade-ins, term length and plan costs are all variables that affect the final price. As a result, comparing plans and providers can be difficult and consumers may inadvertently end up worse off than if they had chosen other available options.

24. We undertook some high-level analysis to explore the extent to which consumers may unknowingly be paying more than necessary.

Is it more expensive to acquire a handset through an interest free contract versus buying it outright and going on a prepay plan?

25. In 2024 Ofcom conducted research that showed it tends to be cheaper for UK consumers to buy a handset outright and use it with a SIM-only deal than to buy it with a pay-monthly contract.[5] We conducted a similar review of the New Zealand market and found that, while prepay plans offer flexibility, those prepay plans with comparable data and minutes are generally similarly priced - or even more expensive - than their pay-monthly counterparts.

26. Handset discounts offered through IFPs can also offer significant savings (eg $500 off a $2,000 handset). However, the discount amount is proportionate to the contract term and the price of the plan (i.e., a customer on a longer term with a higher priced plan is offered a greater discount).

27. While not exhaustive, our review did not find clear evidence of instances where consumers were materially worse off by purchasing a handset through an IFP versus buying a handset outright.

Can consumers end up materially worse off by opting for a higher priced plan to obtain a greater handset discount?

28. Handset discounts are popular with consumers. Larger discounts are offered to customers committing to higher priced plans.

29. In most cases we reviewed, individual circumstances (i.e. data requirements) determine whether the higher priced plan offers better value. This generally applies to all handset discount programmes.

[5] https://www.ofcom.org.uk/siteassets/resources/documents/research-and-data/multi-sector/pricing/2024/pricing-trends-for-communications-services-in-the-uk-2024.pdf?v=387092

Key concerns identified

RSPs do not conduct adequate affordability checks

30. Financial mentors expressed concern RSPs that do not have adequate affordability checks to support their customers' purchasing decisions and prevent individual customers from taking on unaffordable levels of debt. FinCap has also previously called for protections under the Credit Contracts and Consumer Finance Act 2003 (CCCFA) to apply to IFPs, and for the introduction of robust affordability assessments, in line with other forms of lending.[6]

31. Our review found that affordability assessments are not typically part of the sales process. Providers do perform credit checks which will indicate whether a consumer has missed payments on other credit contracts in the past. RSPs use this to determine if they will allow a consumer to take out an IFP. RSPs noted that, unlike some forms of lending where creditors may benefit from a borrower's inability to repay through high interest charges, they have limited commercial incentive to offer IFPs to consumers who may struggle to afford them.

32. In a review of other jurisdictions, we did not identify any instances of regulation that explicitly mandates affordability checks for handset financing outside of broader credit rules.

33. We note that while affordability checks can prevent some harm, depending on the nature of the checks, they can also impose significant operational costs, slow customer onboarding, and risk excluding low-income or thin-credit consumers from an affordable way to pay for devices. They could also expose RSPs to legal risk if affordability checks are incomplete or omitted, as consumers may have grounds to challenge the contract.

34. Following our review, we do not consider the evidence sufficient to justify mandating affordability checks for IFP sales. However, we see a need for providers to take steps to ensure consumers clearly understand the terms of their agreement and have considered whether the repayments are likely to fit within their budget. This approach would help protect consumers from financial stress while ensuring that interest-free phone offers remain a viable and accessible option in the market.

Contract terms are often unclear and misunderstood

35. Interest-free phone payment plans are often marketed in simple and attractive terms, but the actual commitments can be complex. Some consumers don't realise that, while the monthly device payment is interest-free, it is still a legally binding credit agreement. They may not understand that leaving early can trigger immediate

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6 Because there are no interest charges or credit fees payable, IFPs are not considered a 'consumer credit contract' under section 11 of the CCCFA and are not captured by the CCCFA.

repayment of the outstanding device balance, or that they might forgo discounts if they change plan during the IFP term.

36. Our review found that some respondents wished they had received more information about certain features of interest-free plans before entering into one. These were:

    36.1 Savings from handset discounts are evenly spread across your interest free term. Consumers exiting their contract are required to pay the balance of the phone cost and any remaining discount is lost.

    36.2 An IFP cannot be cancelled by returning the phone.

    36.3 Changing providers requires the remaining balance owed to be paid.

    36.4 If a handset is lost or damaged the IFP continues. The commitment lasts for the term of the contract not the life of the phone.

    36.5 Many consumers rely on assumptions or verbal guidance rather than reading detailed contract terms, leading to confusion about costs, early repayment conditions, and switching plan limitations.

37. We believe that disclosure of a standardised list of IFP contract features would help protect consumers. Without clear and accessible information, customers may commit to plans without fully understanding their obligations, which can result in unexpected bills or debt challenges. Transparency ensures consumers can compare offers on a like-for-like basis and make choices that fit their budget and needs.