

A quick guide to borrowing money

When you need to borrow money to buy a house or a personal item like a car or TV, get a credit card or sign up to a store card, it's best to be prepared.

This guide provides information about what to expect from your lender before you borrow, during your loan, and if you have trouble paying.

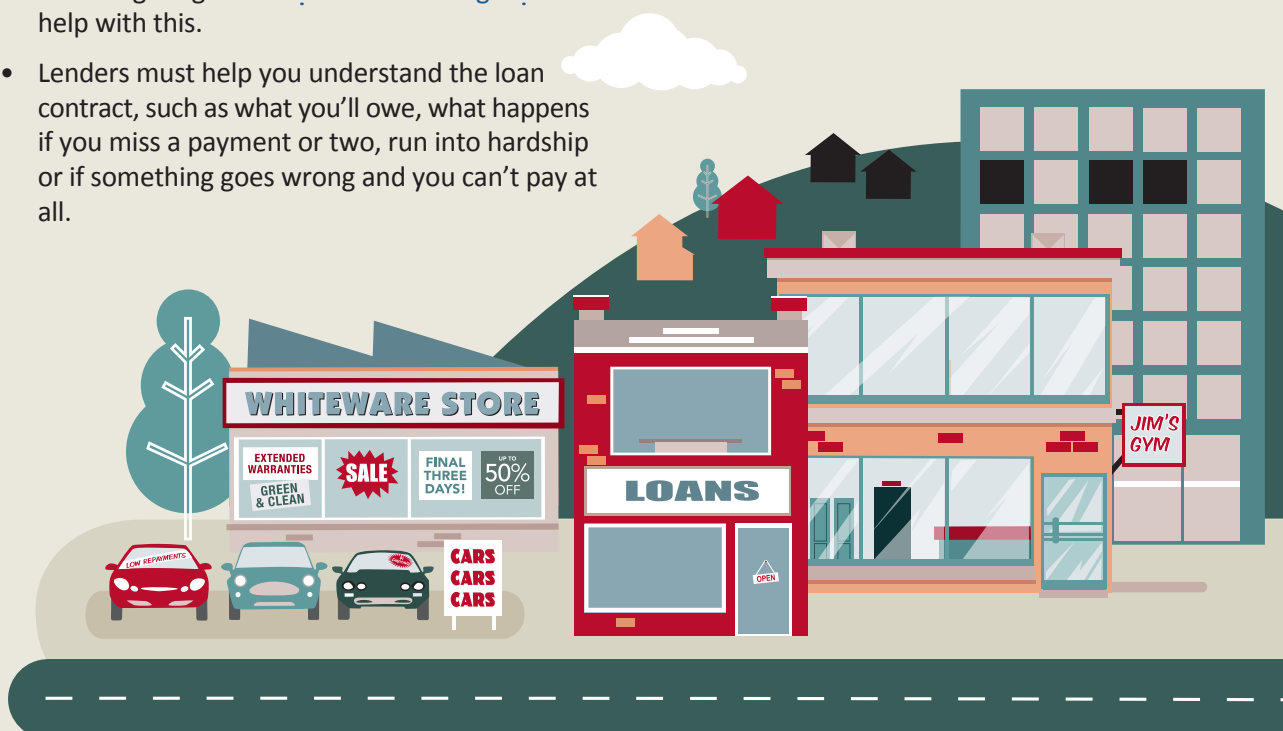
This is guidance only. It is not intended to be a complete explanation of rights and obligations and should not be used in place of legal advice.



What you really need to know when borrowing money

- Before applying for a loan, check that your lender is [registered](#) on the Financial Service Providers Register for the service “Creditor under a credit contract – Consumer credit contract” and that they have been [certified](#) by the Commission. It’s important that they are registered so that you have access to the lender’s dispute resolution scheme if things go wrong with your loan. It’s important that they are certified so that you know you are dealing with lenders that are financially sound, honest, and competent to do the job.
- Before applying for a loan, ask your lender about their application process and how long it could take. Don’t leave borrowing to the last minute, especially if you’re in a hurry.
- Lenders will ask detailed questions about your income and expenses. If you want to save time, come prepared with a detailed budget, showing all the money you earn, the expenses and outgoings you have, and any savings you make. The budgeting tool on [www.sorted.org.nz](#) can help with this.
- Lenders must help you understand the loan contract, such as what you’ll owe, what happens if you miss a payment or two, run into hardship or if something goes wrong and you can’t pay at all.
- If you’re struggling to make the loan repayments, talk to your lender as soon as possible. The earlier you talk to your lender the more options you’ll have. Lenders should try to work with you to find solutions when financial trouble strikes. Any solution should be fair to you and the lender.
- Financial mentoring services provide free help with money management and debt related problems. Financial mentors can even work with the lender on your behalf. To find a financial mentoring service near you, check out [www.fincap.org.nz](#) or call Money Talks on 0800 345 123.

You have a lot of rights when it comes to getting credit and paying off a loan. It really pays to know what they are, so if things don’t go as planned, you know what to do.



What to expect from your lender when it comes to Getting a loan

Expect your lender to:

- Ask you why you want the loan, how much you want and for how long, to make sure they give you a loan that best meets your needs.
- Check that your income exceeds your expenses. You can expect your lender to make a detailed assessment of your ability to repay the new loan as well as continue to meet necessities (e.g. accommodation, food, utilities) and other financial commitments (e.g. other debts, insurance).
- Gather recent and reliable information and documents from you to make their assessment and ask about known circumstances that might affect your income after you get the loan.
- Get a credit report with your credit score.
- Let you know whether you need a person who will pay your debt if you are unable to pay (a guarantor). Your lender will then assess if the guarantor is able to pay your debt by following the same kind of process that they followed for you as the borrower.

Be prepared to:

- Provide a detailed budget of your income and expenses. Have this pre-prepared if you want to save time.
- Provide supporting documents the lender asks for, such as the last 90 days of your bank statements.
- Answer questions about why you need or want the loan, your income, expenses, and personal circumstances, including anything you know about that might reduce your income after you get the loan, like being on a short-term job contract.
- Have your lender confirm some of the information you provide.
- If necessary, talk with your lender about whether you are willing to stop or reduce some non-essential spending, so you can afford the new loan payments and they do not cause financial hardship.

Top tips

- Get in touch with your lender before you need to borrow money to find out what you need to do, what documents you need to provide, and how long it could take for the loan to be approved. Don't leave it to the last minute, especially if you are in a hurry.
- Check out the Sorted website for tools, such as a budgeting tool to help you prepare: www.sorted.org.nz.

You can read more about [what to look for when getting a loan](http://www.comcom.govt.nz) and [what is consumer credit](http://www.consumerprotection.govt.nz) on our website www.comcom.govt.nz. There is also a checklist of things you can do before applying for a loan on www.consumerprotection.govt.nz.

What to expect from your lender when it comes to

The loan contract

Expect your lender to:

- Give you a copy of important information about your loan that is clear and understandable – if it isn't, let the lender know. Giving you this information is called disclosure and consumer credit law requires it.
- Help you understand the contract, especially what will happen if you miss a payment or two. Your lender must also ensure you are aware of any insurance on offer, and whether you have to buy insurance, or can choose not to.
- Provide you with key information about the loan in the same language the loan was advertised in.
- Tell you about the interest that will be charged and the fees that are payable under the contract.
- Explain what can happen if you don't meet your repayments. They may be able to take assets that you have listed (security) such as your car, some household items or your house.
- Not take security over essential household goods like beds, fridges, washing machines, cooking or medical equipment, unless you are borrowing the money to buy those things. The lender also can't take security over your travel documents, bank cards or identification documents (like passports or driver licences).
- Not make you pay your loan until they have given you all the proper disclosure.
- Explain their financial hardship and complaints process, including giving you their external dispute resolution scheme's name and contact details as part of your loan contract.

Be prepared to:

- Ask the lender to fully explain the key information and sections of the documents that your lender draws your attention to and what you need to do.
- Check whether you need insurance to secure the loan. Credit related insurance is usually optional. If you need or want it, determine how much it will cost (including the cost of financing it), what it does and doesn't cover, and what you need to do to lodge a claim.

Top tips

- If you see an ad for a loan in any language (for example, Samoan), you can ask for key information about the loan in that language.
- When deciding whether to take out the loan, make sure you consider not only the regular payment amount but also the total cost of the loan, including the amount you are borrowing, plus any fees and interest. These additional costs can add up and it might be worth shopping around for a different deal.
- It's a good idea to take the contract away to get some advice. You don't have to sign it immediately.

You can read more about [signing up to a loan \(disclosure\)](https://www.comcom.govt.nz/signing-up-to-a-loan-disclosure) on our website www.comcom.govt.nz.

What to expect from your lender when it comes to

The fees

Expect your lender to:

- Only charge you fees (such as fees for debt collection) that are listed or described in the loan documents that you agreed to and you were told about. Lenders must also describe these fees clearly and accurately.
- Help you understand what you'll be charged for and when.
- Pass on fees from third party charges without adding extra costs. Third party fees might include credit-related insurance (optional insurance on your loan that is provided by a third party) or broker fees.
- Make their standard contracts, fees and charges available on their website and at any lending branches.

Be prepared to:

- Find out what fees you'll need to pay or might have to pay throughout the contract, especially if you want to cancel, repay the loan early or if you miss a payment.

Top tips

- Check the fees and charges you'll be up for and ask questions if you're not sure.
- If fees appear on your statement that you didn't expect, have a look in your contract in the fees section to see if it was listed or call your lender and ask what the fees or charges were for. If they weren't listed or provided for in the contract, the lender can't make you pay them.

You can read more about [credit fees](https://www.comcom.govt.nz/credit-fees) and [default fees](https://www.comcom.govt.nz/default-fees) on our website www.comcom.govt.nz.



What to expect from your lender when it comes to Financial difficulty

Expect your lender to:

- Treat you fairly if you miss payments or when problems occur.
- Contact you at a reasonable time to talk about missed payments or if you have exceeded your credit limit.
- Explain your options and work with you to come to an arrangement if you run into financial difficulty. The sooner you get in touch with the lender, the more options you have.
- Explain their financial hardship application process and consider making changes to your loan if you qualify for this (for example if you can't pay because of something unforeseen, like illness or job loss).
- Provide you with information and help you decide whether to make a change to your loan. Changes like a payment holiday can provide a short-term solution but can cost you more down the track.
- Provide information about financial mentoring services in your area if you have missed a payment or asked for help because you have run into unexpected difficulty repaying your loan.

Be prepared to:

- Get in touch with your lender as soon as possible if you run into difficulty repaying your loan and work with them to come to a repayment arrangement that works for both of you.
- Have your lender get in touch with you if you miss a payment or two. Lenders shouldn't be letting default fees build up, which could make it harder in the long run to pay off your loan.
- Discuss the reasons for your repayment difficulties with your lender and work out the repayment amount you can afford now, and if or when you might be able to increase repayments again.
- Provide supporting information the lender asks for if you ask for changes to your loan.
- Consider your options if you apply for changes to your loan contract because of difficulty making the repayments, but your lender refuses to make any change. The lender must consider a written application carefully and reasonably, but they don't have to agree to it. If they decline the application, they must provide a reason why. If you don't think it's fair, you can talk to the lender about it or complain to the lender's dispute resolution scheme if you can't reach a reasonable outcome with your lender.



Top tips

- Any changes you make to your loan contract (such as reducing the repayments and extending the term) will likely cost you more in the long run. Carefully consider your options and what the overall cost will be if you make these changes.
- If you are struggling to make the repayments, the earlier you speak with your lender, the more options you have. Don't let outstanding repayments build up before you take action.
- If you think you can't afford the new repayments, talk it through with your lender, as the new arrangement needs to be fair and reasonable for you, and the lender.
- Consider all your options before making a decision that is right for you. For example, you may be eligible to change your loan contract or apply for a KiwiSaver hardship withdrawal.
- Talk to a financial mentor if you think your ability to repay your loan won't improve in the near future.

You can read more about [unforeseen financial hardship](#) and [how to make an application](#) on our website www.comcom.govt.nz.

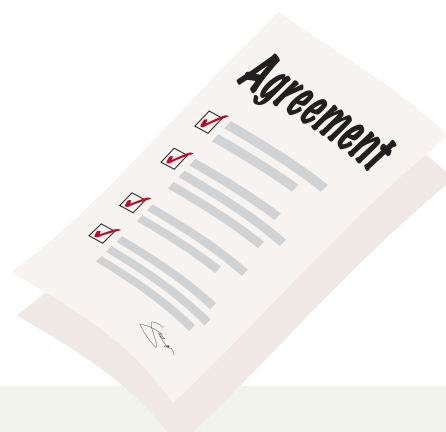
What to expect from your lender when it comes to Debt collection

Expect your lender to:

- Treat you fairly and reasonably when collecting debts (this includes the lender's agent such as a debt collector).
- Before debt collection starts, provide key information about the underlying loan, how much you owe, including any additional changes on top of what is owed and what help is available. This is only for loans that are credit contracts and doesn't apply to collection on debts such as missed rent or utility bills.
- Stop debt enforcement action during an application for unforeseen financial hardship or if you have an unresolved complaint about the debt collection itself.
- Not mislead you about repossessing goods if the loan is unsecured or by saying they will take court action if they can't or don't intend to.

Be prepared to:

- Be contacted by the lender or debt collector about what you owe so you can work out your options, for example a repayment plan that's reasonable for both you and the lender.
- Receive information about the debt owing before being asked to pay it. You can also ask for information about the debt owing on a [consumer credit contract](#) if that information hasn't been given to you.



Top tips

- You do have an obligation to repay your debts and lenders are entitled to take action to collect overdue payments, but they must follow some legal rules.
- If the lender has hired a debt collector and you feel they are treating you unreasonably, you can complain to the lender about them. They should not make you feel threatened or intimidated.
- If you dispute the debt because you think the amount is wrong or the debt is not yours, you can ask the lender or debt collector to explain why they believe you are responsible for the debt. They must ensure the information they use is correct. You have the right to make a complaint to the lender or their dispute resolution scheme if you can't resolve this type of situation with the lender.

You can read more about [debt collection](#) on our website www.comcom.govt.nz.

What to expect from your lender when it comes to Repossession

Expect your lender to:

- Treat you, and your property, fairly and reasonably when repossessing any of the items listed in your contract in the security section.
- State in your contract that they can repossess any goods you have agreed to, in order to secure your loan (in case you can't pay).
- Provide a Repossession Warning Notice setting out the amount you are behind in payments, listing the items they will take, but first giving you a chance to repay. You should also expect to see information about how to seek financial hardship relief, and the lender's external dispute resolution scheme's name and contact details.
- Not repossess anything while an application for unforeseen hardship is being considered or if you have an unresolved complaint about the repossession action itself.
- Provide a Post Repossession Notice after the items have been repossessed setting out how much you would need to pay to stop the items being sold.
- Sell the repossessed goods to attempt to recover the outstanding debt. The goods may be sold for less than the amount you owe.
- Freeze your loan account and stop charging you any further interest or fees once any of your repossessed items have been sold (even if it's just one of many security items given). The maximum amount owing after sale can be found on your Statement of Account, which must be given to you within 7 days of the sale.

Be prepared to:

- Receive documents that include a list of specific items that you agreed can be taken if you can't pay what you owe, and check what is being taken against that list
- Surrender any of those things if that's the best outcome for your circumstances. These items will be sold, and the money collected will go to repaying your loan. You will still have to pay any balance owing if the price they are sold for doesn't cover your debt.
- Have repossession agents turn up and enter your house, including when you're not at home if the loan contract allows for unoccupied entry.
- Continue making payments on your loan at the amount agreed with your lender.
- Have some items repossessed without warning if the lender considers they are at risk, for example the lender has a reason to believe they might be sold or destroyed.

You can read more about [repossession](https://www.comcom.govt.nz/repossession) and the time frames for the process at www.comcom.govt.nz.

What to expect from your lender when it comes to Repossession cont.

Top tips

- If the lender sells a repossessed item, and you still owe money, your loan is frozen at that point. Although no more fees and interest can be added to your loan, you will still have to pay the remaining balance.
- The lender or their agent can only enter your house to repossess goods between 6am and 9pm (unless you consent to entry outside of those hours). They can't enter your home on a Sunday or public holiday (unless you consent).
- If the lender has installed a disabling device in your car, you have some rights about when it can be activated and getting access to your car in an emergency if it has been activated. You can read more about disabling devices on the Community Law website, <https://communitylaw.org.nz/>.
- If you are in financial difficulty and are concerned about repossession, get in touch with your lender as soon as possible and work out an arrangement to pay. Don't wait for the notices to be sent. You can also ask a Financial Mentor for help, and they can help you work with the lender or work on your behalf.

You can read more about [repossession](https://communitylaw.org.nz/) and the time frames for the process on our website www.comcom.govt.nz.



Who can help?

There are laws to protect you when you borrow money. It is important to understand your rights, so you know you are being treated fairly.

There are government agencies and services that can help you, especially when things don't go as planned:

- **The lender** is there to help you with everything about your loan, including helping you with solutions when there is a problem, or if you have trouble repaying the loan.
- **Dispute resolution schemes** help to resolve problems with a lender. Their services are free and independent, and you can contact them at any time for guidance to help work through the issues.
- **Financial Mentoring services** provide free help and advice around financial issues to help you get back on track financially. Financial mentors can also work with lenders on your behalf.
- **Money Talks** (0800 345 123) is a free and independent helpline that anyone can call to seek advice about managing money and debt. They can put you in touch with a financial mentor in your area.
- **Sorted** helps people sort out their finances so they can get ahead financially and live well in retirement. It has money tools and tips, including debt calculators and budgeting tools that can help you prepare when applying for a loan.
- **Consumer Protection (part of MBIE)** provides practical guidance on consumer laws and knowing your rights.
- **Community Law Aotearoa** provides free legal advice nationwide.
- **Micro-finance providers** such as Good Shepherd and Ngā Tāngata Microfinance, provide loans at either no interest or low interest, but certain criteria apply. Check out the last page for contact details.
- **The Ministry of Business Innovation and Employment (MBIE)** is responsible for developing the law. When laws are reviewed, they seek public feedback, and you can have your say.
- **The Commerce Commission** enforces laws like the Credit Contracts and Consumer Finance Act (CCCFA) and Fair Trading Act (FTA). The CCCFA requires lenders to treat you fairly and make sure you have all the information you need to understand the loan. It also gives you rights if you have difficulty repaying your loan. You can report a lender to the Commission if you think they've broken the law. The Commission's role is to help lenders and borrowers understand their rights and obligations and take action if lenders are not following the law.



Contact details

Commerce Commission

www.comcom.govt.nz
Phone: 0800 943 600

Community Law

For a centre near you
www.communitylaw.org

Consumer Protection

www.consumerprotection.govt.nz
Phone: 0508 426 678

Money Talks

Free financial helpline: 0800 345 123

FinCap

Find a Financial Mentoring service
www.fincap.org.nz

Good Shepherd

Providers of No and Low Interest Loans
www.goodshepherd.org.nz

Ngā Tāngata Microfinance

Providers of No Interest Loans
www.ngatangatamicrofinance.org.nz

Sorted

www.sorted.org.nz

Dispute Resolution Schemes

Banking Ombudsman

www.bankomb.org.nz
Phone: 0800 805 950

Financial Dispute Resolution Service

www.fdrs.org.nz
Phone: 0800 805 950

Financial Services Complaints Ltd

A financial ombudsman service
www.fscl.org.nz
Phone: 0800 805 950

Insurance & Financial Services Ombudsman Scheme

www.ifso.co.nz
Phone: 0800 888 202

