

The Credit Contracts and Consumer Finance Act

Consumer leases



This fact sheet provides an overview of what a consumer lease is and explains the rules and consumer protections that apply to this type of lease.

A lease of goods involves someone paying to hire goods over a period of time. Consumer leases are specifically covered under the Credit Contracts and Consumer Finance Act (**CCCF Act**).

A lease is a consumer lease where:¹

- the person leasing the goods (called the **lessee**) is an individual (in other words, they are not a company or incorporated society) and they are entering the contract mainly for personal, domestic or household purposes
- the person leasing out the goods (called the **lessor**) is in the business of leasing goods or makes a practice of leasing goods

and

- either the lessee has an option to buy the leased goods or the lease is for 12 months or more.

In some situations, the CCCF Act treats leases of goods as consumer credit contracts. In these cases, the rules that apply to consumer credit contracts are relevant, not the rules that apply to consumer leases.²

When will a consumer lease be treated as a consumer credit contract?

A lease of goods is treated as a consumer credit contract and not a consumer lease where:³

- the total payments the lessee has to make under the lease is roughly the same (or more than) the cash price of the leased goods
- or
- the lessee has an option to buy the goods for nothing extra, a nominal amount, or well below what they're worth at the end of the lease.

When working out the total payments a lessee has to make under a lease, the cost of optional services (like insurance), the additional payment to purchase at the end of the lease, and any amount that is not payable if the lease is cancelled, are not included.

🔗 You can read more about rules that apply to consumer credit contracts at www.comcom.govt.nz/consumer-credit



1. CCCF Act, section 60(1).
 2. CCCF Act, section 60(2).
 3. CCCF Act, section 16.

What rules apply to consumer leases under the CCCF Act?

There are specific rules that apply to lessors under consumer leases. The rules relate to:

- disclosure
- termination payments
- credit-related insurance, extended warranties and repayment waivers
- oppression.

Disclosure under a consumer lease

Any lessor who enters into a consumer lease must give the lessee key information about the terms of the lease. This is known as disclosure.

A lessor must provide disclosure at various stages of a consumer lease, including:

- at the start of the lease (initial disclosure)
- if the lessor and the lessee agree to change the terms of the lease (variation disclosure)
- if the lessee asks for it (request disclosure).

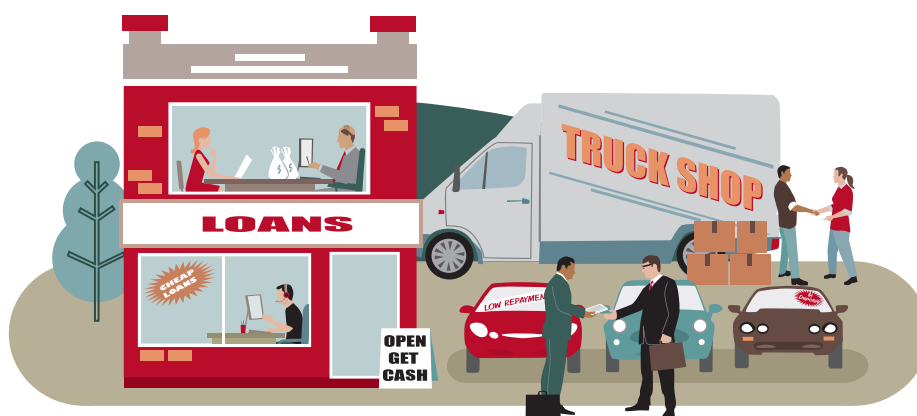
The CCCF Act sets out the information the lessor must provide, and how and when they must provide it.

Initial disclosure

The CCCF Act requires a lessor to provide certain information before the lease is made.⁴ All the other terms of the lease must be given or sent to the lessee within five working days of the lease being made (if it is not provided at the same time).⁵

The information that the lessor has to give before the lease is made is set out in the table below. The lessor has to disclose the information only if it applies to the particular lease.

Lessor's full name and address	The full name and address of the lessor
Nature of the lease	The fact that the lease is a consumer lease under the CCCF Act.
Term of the lease	How long the lease is for.
Cash price	The cash price of the leased goods.
Option to purchase goods	Whether the lessee has an option to buy the goods, and if so, how much they must pay to do so (or how the lessor will calculate that amount).
Payments required	The amount, timing and number of payments the lessee needs to make.
Amount paid at commencement	What the lessee must pay (if anything) at the start of the lease or before they take the goods (such as a deposit).
Total amount payable	The total amount the lessee must pay over the term of the lease (if known).
Conditions of termination	A statement about how and when the lessee may end the lease including how the lessor will calculate what the lessee owes in that situation.
Services financed under lease	Details of any services that are financed by the lease, such as delivery or servicing/maintenance agreements.
Default fees or charges	Any default fees, charges or enforcement costs that the lessee may have to pay if they breach the lease.



4. CCCF Act, section 64(1).

5. CCCF Act, section 64(2).

Variation disclosure

If both the lessor and the lessee agree to change the terms of the lease, the lessor must provide full details of the change before it happens.⁶

Request disclosure

A lessee may ask their lessor in writing for:⁷

- the amount, timing and number of payments owed under the lease
- details of any changes made to the lease since its start
- a copy of any disclosure statement that the lessor has already provided or should have provided before the request was made.

A lessor must provide request disclosure either within 15 working days of either:⁸

- being asked for it
- or
- receiving a fee that the lessor has specified to provide it – any such fee has to be reasonable.

A lessor does not have to provide request disclosure if either:⁹

- they have already given the information to the lessee in the previous three months
- or
- the lessee asks for the information more than a year after the lease has ended.

🔗 You can read more in our fact sheet *Disclosure* at www.comcom.govt.nz/disclosure

Termination payments

If a lessee cancels the lease before the end of its term, the lessor may charge them a reasonable estimate of what the lessor will lose as a result of the lease being cancelled.¹⁰

Credit-related insurance, extended warranties and repayment waivers

If a lessor requires a lessee to take out credit-related insurance, an extended warranty or a repayment waiver they must have good reason for doing so.¹¹ In other words, the lender must believe it is necessary to protect themselves or the borrower from any risks to do with the debt.

If the lessee does purchase one of these services in connection with a consumer lease, and it is arranged by the lessor, then the lessor must provide a copy of the terms of the insurance, warranty or waiver before the cover is arranged.¹²

🔗 You can read more in our fact sheet *Credit-related insurance, extended warranties and repayment waivers* at www.comcom.govt.nz/credit-related-insurance

Oppression

The CCCF Act gives lessees protection from what it calls “oppressive” consumer leases and from oppressive behaviour by lessors.

🔗 You can read more in our fact sheet *Oppressive contracts – protections for borrowers* at www.comcom.govt.nz/oppressive-contracts

6. CCCF Act, s 65.

7. CCCF Act, s 67(1).

8. CCCF Act, s 67(3).

9. CCCF Act, s 67(4).

10. CCCF Act, s 68

11. CCCF Act, section 69.

12. CCCF Act, section 70.

This fact sheet provides guidance only. It is not intended to be definitive and should not be used in place of legal advice. You are responsible for staying up to date with legislative changes.

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