

KNOW YOUR RIGHTS AND OBLIGATIONS

If you borrow money or buy goods on credit there are things you need to know about the Credit Contracts and Consumer Finance Act.

■ WHAT DO I NEED TO KNOW?

Before you borrow money or buy goods on credit, you need to understand what you're getting into. What's it going to cost you? What repayments will you need to make? What interest or fees will you have to pay? A lender must give you this information - it's called disclosure. Read the contract and if you don't understand something, don't sign – go and get some independent advice.

Your lender must also give you information to help you keep track of any debt while you're paying it off.

■ WHAT EXTRA COSTS WILL I HAVE TO PAY?

A lender will usually add interest and fees to the amount you have borrowed. These must be set out in your disclosure.

Interest is what a lender charges for having the use of their money. There are rules about how a lender charges interest.

A lender may also charge fees for setting up the contract and managing it. Any fees must be reasonable and based on the lender's costs.

■ CAN I GET OUT OF A CONTRACT?

Before you sign, you need to think very carefully about what you're agreeing to and whether you can afford it. By signing a contract you are agreeing to its terms and to meet your end of the deal.

If you change your mind and want to cancel the contract, you only have a very short time after signing up to cancel and you may still have to pay fees.

You can end a contract at any time by repaying what you owe, but you may have to pay extra fees if you pay it back earlier than originally agreed.

“ He mangō mene, he mangō niho tou.
A smiling shark, is still a shark with teeth.”



■ DO I NEED TO GET INSURANCE?

Sometimes a lender will suggest you buy insurance to cover your ability to repay a loan or to cover the goods you're buying.

Your lender can't force you to buy insurance that you don't need. But it may be OK for a lender to insist you get insurance if you don't already have it. If you think this makes the overall deal too expensive, shop around.

■ WHAT HAPPENS IF I MISS A REPAYMENT?

If you break the terms of your contract – for example, if you miss a repayment or go over your credit limit – you will probably have to pay a late fee or default interest.

If your lender has security over something you own (such as a car), they may sell your security.

Late fees, default interest and any security interest must be set out in your contract, so check before you sign.

■ WHAT CAN I DO IF I'M STRUGGLING?

If you're struggling to manage your debts, talk to your lender, ideally before you get behind on your repayments.

If you are made redundant, fall ill, lose a partner, or suffer another hardship, ask your lender if they will change your contract to help you manage your debt better. Your lender doesn't have to change your contract but they may agree to extend the term of your loan, change your repayments, or give you a mortgage repayment holiday. Remember, though, that this is likely to increase the total cost of the loan.

■ CAN I SWITCH LENDERS?

Yes. You can shop around for a better deal even when you have an existing contract, but work out what it will cost to switch. Your lender may charge a fee if you pay back your contract early, and your new lender may charge for setting up a new contract.

WANT TO KNOW MORE?

Check out the Commerce Commission fact sheets on the CCCF Act at www.comcom.govt.nz/consumer-credit-fact-sheets

This fact sheet is a guideline only. The publication is not intended to be definitive and should not be used instead of legal advice. It is businesses' responsibility to remain up to date with legislation. Only the courts can make a ruling on whether the Credit Contracts and Consumer Finance Act has been breached.