

House of Representatives
Supplementary Order Paper

Tuesday, 6 May 2014

Credit Contracts and Financial Services Law
Reform Bill

Proposed amendment

Te Ururoa Flavell, in Committee, to move the following amendment:

New clause 22B

After *clause 22A* (page 41, after line 21), insert:

22B New section 37A inserted (Limit on annual interest rate or rates)

After section 37, insert:

“37A Limit on annual interest rate or rates

- “(1) This section applies if interest charges are or may be payable under a consumer credit contract.
- “(2) The Minister may determine and publish a maximum interest rate that may be contained in a consumer credit contract, in the manner set out in **section 9E** as if the maximum interest rate were a Responsible Lending Code.
- “(3) A consumer credit contract must not contain an interest rate that exceeds the maximum established under **subsection (2)**.
- “(4) If the court is satisfied, on the application of the Commission, a debtor, or a guarantor, that an interest rate exceeds the maximum established under **subsection (2)**, it may order that the rate be reduced to the maximum interest rate, or such lower rate as the court thinks appropriate in the circumstances.
- “(5) The court may make any other order it thinks fit for the purpose of giving effect to an order under **subsection (4)**.”
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Explanatory note

This Supplementary Order Paper protects borrowers from unscrupulous credit contracts by allowing the Minister to set, and to alter from time to time, a maximum interest rate for any credit contract in which interest is payable. The Minister would follow the same process in determining and publishing the maximum interest rate as is required by *new section 9E* for the making of a Responsible Lending Code. The interest rate cap serves as an enforceable backstop to all other provisions for responsible lending.
